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ABSTRACT

This study reports on: available student financial aid, unmet student needs, and alternative mechanisms for funding Nebraska college students. A survey gathered information on direct and indirect state awards, federal awards, and institutional and private sector assistance for the 1987-88 school year. Estimated unmet student need was determined for students at the University of Nebraska, independent colleges and universities in the state, technical community colleges, state colleges, and private vocational schools. A variety of alternative financing programs were examined, including the trust approach or Michigan Plan, education IRAs (individual retirement accounts), tuition certificates, and savings bonds. A list of questions to be addressed in designing a college financing program is included. Appended materials include a report to the state legislature on creative financing and higher education; descriptive information on federal student aid programs available in Nebraska; data on available student aid by category (direct state aid, indirect state aid, federal aid, institutional awards, and other private sector aid) and institution; information on the tax status of prepaid tuition guarantee plans; and results of a national survey concerning college savings and tuition futures plans. (MSE)

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Student Aid for Postsecondary Education: Undergraduate Studies

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Student Aid for Postsecondary Education: Undergraduate Studies

An LR390 Staff Report
to
The Education Committee

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Education
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LR 390

LEGISLATIVE RESOLUTION 390. Introduced by Withem, 14th District

PURPOSE: The purpose of this resolution is to study aid and assistance available to students attending Nebraska institutions of postsecondary education. The study shall provide: (1) An assessment of student aid currently available from all sources, including direct and indirect state assistance, federal assistance, institutional assistance, and private-sector assistance: (2) an estimation of unmet needs for student assistance with a focus on those groups of students with the greatest unmet needs: and (3) a compilation and analysis of alternative mechanisms to provide student assistance including state tax-exempt saving s accounts, prepaid tuition plans, and other programs being developed by other states, postsecondary institutions, the federal government, and the student assistance lending industry.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NINETIETH LEGISLATURE OF NEBRASKA, SECOND SESSION:

1. That the Education Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

2. That the Education Committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

Introduction

During the 1970's federal assistance to students increased 437 percent or a constant dollar growth of 200 percent. Overall, federal aid grew by only eight percent between 1980-81 to 1986-87. In constant dollar terms, it decreased by almost 16 percent.

From 1980 to 1987, college tuition and fees rose about 75 percent nationwide. College tuition charges will rise an average of 7 percent this fall, marking the eight consecutive year that the price of an education will increase faster than inflation. According to Bruce Carnes, deputy undersecretary of the U.S. Department of Education, .."the price of college is going to go up at this rate forever. We don't see anything in the immediate offing to exert very much restraint on these increases." The peak increase was 1982-83 when tuition at four year private schools rose 13 percent and public colleges 20 percent. Officials explain that schools have had to increase tuition because faculty salaries and other costs, such as scientific equipment, information technology and library acquisitions have risen, while federal aid to students has been cut back.

At the current rate of rising costs, in 2006 when a child born this year will be old enough to attend college, four years of college will cost $168,500 at a private institution and $65,000 at a state school.

Student borrowing to pay for college has quintupled in the last decade. In 1970-71 borrowing from the Federal government in the form of Guaranteed Student Loan's and National Defense Student Loan's was $1,255,000. Borrowing had increased to $9,039,000 in 1985-86 school year. The average college-loan debt for 1986-87 graduates was estimated at

$7,480. For a public school graduate, the average was $6,800; for a private school graduate, $8,680. Guaranteed Student Loans have become highly subsidized loans for needy students. Many people have stated that the reliance on loans has raised serious questions about the equality of access to higher education. This is largely because loans are not neutral in their effects on borrowers. Women and minorities generally are reluctant to take out loans because they tend to earn less than men.

Because of federal cutbacks in grants and the increasing number of students applying for financial aid, parents and students must look beyond grants from the federal government to finance a college education. As previously stated many students are borrowing large amounts of money to finance their education.

Eric Seacrest, Vice Chairman of the Nebraska Coordinating Commission for Postsecondary Education, testified December 2,1988, at a public hearing. His testimony entitled, Who Pays for Higher Education and When?, listed as appendix A, provides some insight into Nebraska's higher education system and how a college education is currently financed.

This study will look at student aid in Nebraska, unmet need and look at what other states are doing to help students finance a college education.

Analysis of Data

For this study a survey was developed to ask each institution of higher education in Nebraska for information regarding financial aid for the 1987-88 school year. The awards are broken down by federal, direct state, indirect state, institutional and private sector assistance.

Federal assistance consists of Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Perkins Loans (PL), College Work-Study (CWS), Guaranteed Student Loans (GSL), Supplemental Loan for Students (SLS) and Parent Loan for Undergraduate Students (PLUS). Appendix A gives a synopsis of each type of assistance.

Direct state assistance consists of the State Student Incentive Grant program (SSIG), state scholarships (Regents, etc.) and need-based assistance.

Indirect state assistance consists of waivers institutions provide for students for services such as resident assistances, graduate assistances, and teaching assistances.

Institutional assistance consists of scholarships, campus employment and loans. The funds are acquired by the institutions through their foundations and other donations.

Private-sector assistance includes scholarships and loans provided by private organization and individuals.

The second phase of the study was to provide an estimation of unmet need. Due to the difference in amount of personal expense each school uses in determining the cost of attendance the unmet figure is only an estimate. Personal expenses currently range from a high of $1822 at Kearney to $900 at Peru and College of Saint Mary. The unmet needs should not be compared without taking into account the difference in cost of attendance. The formula used to determine unmet need was to take the total need of eligible students minus the expected family contributions and total amount of award. The result was the unmet need for the year.

The following table summarizes the total award and unmet need broken down by sector.

	Total Award	Unmet Need
University of Nebraska	$68,245,911	$12,214,593
Independent Colleges and Universities	81,914,531	18,851,400
Technical Community Colleges	13,799,124	18,609,758
State Colleges	22,614,409	2,303,231
Private Vocational Schools	14,166,443	8,779,218
State-wide totals	200,740,418	61,258,207

The Independent Colleges and Universities had an average unmet need of $1,346,529 for the 1987-88 school year. The University of Nebraska-Lincoln had the most unmet need of the University system at $7,215,774. The Technical Community Colleges had an average unmet need of $3,101,626. The $9.2 million dollars of unmet need at Metropolitan Community College was the largest unmet need in the state. The high unmet need is due to Metro being

a low-cost tuition school. Many students are attracted to Metro due to the low-cost tuition. Seventy-eight percent of Metro's independent financial aid students report income of less than $10,000. The median income of a Metro student is $11,118. Fifty-nine percent of Metropolitan Community College's dependent financial students report parental income of less than $21,000. Nebraska State Colleges have the lowest average unmet need at $575,807. Of the private vocational schools that reported an unmet need, they had an average unmet need of $1,254,172. For individual school data see Appendix B.

Alternative Financing for Higher Education

Various alternative financing programs fall into two broad categories: savings plans (IRA's and bonds) and guaranteed tuition plans (trusts and tuition certificates). There are basically four tuition plans being looked at on the state level. The plans differ in structure, but their main goal is to make it possible for those wishing to attend a post-secondary institution to invest in an approach which would make costs of college viable.

This study does not make a recommendation for a specific plan. Instead, it describes the four plans and the states implementing them.

TRUST APPROACH

The first is the trust approach, more commonly known as the Michigan plan. This plan would create a new state trust that would attempt to predict tuition costs for the future. After predicting such costs, parents would be informed on how much to prepay to meet those costs. The payments would be put in a centralized pool and invested in order to build a balance to cover future tuition costs.

The trust would guarantee tuition at any public 4-year college or university up to one hundred and five percent of the weighted average annual tuition rate at all state institutions. There are two plans to choose from: Plan A wherein participants may withdraw only the original investment minus administrative fees if the contract is cancelled; and Plan B which requires a larger investment, and provides that participants may withdraw the principal and interest less administrative fees. Tuition coverage is based on the average at state institutions.

This plan would encourage parents to save for and share the costs of college as well as promoting enrollment in state institutions - as the plan would be restricted to the state.

Though the state would benefit from enrollment at its institutions, there are some potential disadvantages:

1. A new board or trust would be established to set policy, hire staff, surcharge fees, invest funds in the trusts' pool, and set restrictions or limits required to keep the fund on the right financial track. This new board would have unknown start up costs.

2. There is a risk that tuition costs may increase faster than investment earnings. The state would have to make up the difference.

3. This would create another body outside the legislature with influence on tuition.

4. Since the plan is tax exempt, there would be a loss of revenue.

The plan would be accepted at all participating public institutions, and in some cases private institutions. There would be certain redemption penalties. The funds would be limited for college or the tax exemption would be lost. Appendix C details the tax status of the Michigan Prepaid Tuition Plan.

EDUCATIONAL IRA APPROACH

The educational IRA account relies on the basic principals of IRA accounts many people now have. The accounts are set up with banks, savings and loans, insurance companies and other financial institutions. Contributions of up to $2,000 annually can be made for a child until the child is 18. A tax exemption is provided by the state only. If the child elects not to go to college the exemption is lost.

TUITION CERTIFICATE APPROACH

This approach allows a parent to buy a tuition certificate from a school today at a certain fraction of current tuition to be redeemed any time in the future. For example $100 today would buy approximately 2 credits at the University of Nebraska-Lincoln. This system would promote enrollment in the states institutions where the certificates were purchased. The certificates could be transferable within a family eliminating the risk of a child electing not to go to college. Each figure is simply the amount of the certificate divided by the current price of the credit hour.

SAVINGS BONDS APPROACH

General obligation or zero-coupon bonds are being offered for sale by states with a maturity of 1 to 25 years. The offering price is determined by the state and the market. Marketing can be state-wide through banks and other financial institutions. An optional bonus payment is made to bondholders providing proof that their child has enrolled in an in-state college or university.

This approach generally requires no new administrative structure. The current underwriting group structure can be used through local bankers and/or brokers. It can eliminate current processing costs on biennial interest payments for bonds. State bonds are exempt from federal tax and are exempt from state tax also. In addition, the bonds carry no risk for the state and the holder assumes the risk.

Currently 14 states have passed legislation enacting savings plans. Oregon is selling $20 million in educational bonds on a trial basis. If successful, legislation will be introduced for more sales. Nine states have enacted prepaid tuition plans. Missouri and West Virginia have enacted both savings and prepaid tuition plans. The 1988 SURVEY OF COLLEGE

SAVINGS AND GUARANTEED TUITION PROGRAMS by the Education Commission of the States, listed as Appendix D, provides more detail on assistance the states are currently providing.

FEDERAL LEGISLATION

In October 1988 Congress passed a bill exempting interest on U.S. Series EE savings bonds if the bonds are transferred to an eligible educational institution as payment of qualified educational expense. The bonds will become available after January 1, 1990.

The phase out range is from $60,000 to $90,000 of modified adjusted gross income for a joint return. For single taxpayers and head of households the phase out range is $40,000 to $55,000.

Designing a College Financing Program

Before a prepaid guaranteed tuition or educational savings program is implemented there are several questions to be considered. The following is a list of questions that have been developed to help design a program.

1. What problems do you perceive in your state that have led to an interest in tuition prepayment plans/savings incentive plans?
2. Who do the demographic studies show to be your market and what are their need?
3. Who are you trying to help:
   - Students? Traditional? Older? Full-time? Part-time?
   - Parents? What income level?
   - Institutions of higher education?
   - State?
4. What are the policy objectives relating to your plan?
5. Which fits your state's objective best:
   - Tuition guarantee plans - Michigan model?
   - Tuition guarantee - certificate program?
   - Educational savings - "IRA" type or other savings plan?
   - Encouraging the private sector to develop educational savings programs?
   - Programs other than the above?
   - None of the above?
6. Would a combination of different plans fit your state's objectives?
7. How accurately can tuition increases be predicted 5 to 20 years in the future?
8. Will the quality of your school system be the same (or higher) when the plan's benefits are used (5 to 20 years from now) as it is today?
9. If not every school within your state or system participates in your plan, how are the ones that do participate selected?

10. Will your state solicit and/or accept corporate contributions, private gifts and bequests, grants, loans, etc., for its tuition/savings trust fund?

11. Is there any way your state can encourage private investment plans, either in addition to or in place of, a state plan?

12. What investment vehicles will you be using for the state plan?

13. Who accepts the risks involved in your plan? The state? The purchaser? The taxpayer? The investing agency?

14. Can you guarantee (on prepaid plans) that interest earned will in fact cover tuition costs?

15. What sort of participation do you need to make your plan actuarially sound?

16. Who pays the difference if either:

    - Tuition costs increase faster than interest earnings; or
    - Interest earning are lower than expected and cannot cover tuition?

17. How can you best provide flexibility of choice for students whose eventual field of study and choice of college might not coincide with their parents' expectations at the time they invested in your plan?

18. Families with what level of income will benefit from your plan?

19. Can your plan be structured so that low-income and lower-middle income families may benefit from it? How about middle-income families with several children?

20. Are the parents/purchasers in your state aware that tuition may only be a relatively small portion of public sector education costs?

21. Can the proceeds from your plan be used at any time after maturity, or is there an expiration date?

22. If there is an expiration date, is military service by a qualified beneficiary treated as "time out" and added on afterward?

23. Will your plan affect enrollment distribution among your state and independent institutions? Will there be a bias toward one or the other?

24. Does your plan include the independent institutions of higher education in your state? If yes, how?

25. If independent institutions are actively involved in your plan, might this threaten their independence?

26. If independent institutions are not involved, or only marginally involved, how will that affect their enrollment? Fee structure? Other concerns? Will there be any effect on the state as a whole?

27. What about portability of your plan across state lines?

28. Do the institutions in your state offer enough choice to justify developing a state plan that discourages enrollment out-of-state?

29. Will your program serve to keep students "home" in your state to the extent of affecting enrollment in other states?

30. What are your residency requirements for investment in your plan? May residents of another state invest?

31. Is it possible for a non-custodial parent who lives out-of-state to participate in your plan for an in-state child? How is state tax-exemption handled?

32. Conversely, it is possible for a non-custodial parent living in-state to participate in your plan for a child living outside the state?

33. Can persons unrelated to the qualified beneficiary invest in your plan?

34. Can a corporate entity invest in your plan in order to establish a scholarship fund for as-yet-unnamed beneficiaries?

35. How will you determine the cost of investing in your plan?

36. How will payments be made? Lump sum? Installment? Payroll deductions? Other? What sort of payment scheduled is needed to keep your plan solvent?

37. What costs are covered by your plan? Tuition? Room/Board? Books, materials, fees? Other?

38. Will your plan be state/local tax-exempt?

39. Which should receive favorable tax treatment, the interest earned, or the initial payment?

40. Does your plan depend upon the IRS for a favorable ruling on federal taxes?

41. If marketing your plan to the public depends upon a favorable IRS ruling, and that ruling is not forthcoming, what alternatives will be considered?

42. What non-tax incentives can you offer your investors?

43. Does your plan complement or substitute for existing financial aid programs?

44. How does your plan affect a student's eligibility for further student aid?

45. Does your plan have any impact on recipients of the G.I. Bill, social security monies, etc.?

46. What will your refund policies be for students who:

    - Die?
    - Drop out of college or fail out?
    - Change from a 4-year school to a 2-year school?
    - Wish to go to an independent or out-of-state school?
    - Do not wish to go to college?
    - Other?

47. Will there be a refund for a qualified beneficiary who receives a scholarship or other unexpected aid? Or will that money be applied to other school expenses?

48. What happens if the interest earned through your plan is more than needed to cover tuition? Who reaps the benefits? Will there be a refund? To whom?

49. Is your plan transferable from one beneficiary to another? Do they have to be related?

50. If it is possible to transfer a tuition guarantee plan from a younger beneficiary to an older one, can the plan guarantee the tuition even though there was less time for the investment to accumulate interest?

51. What agency will administer your program? What is its investment experience?

52. What will your overhead costs be - administration, marketing, etc.?

53. What marketing and promotional strategies will you use to market your plan to the public?

54. What will the effects of your plan be, direct or indirect, on non-participating parents? Taxpayers without children?

55. If higher tuition costs are becoming serious barriers to access to higher education, would it be better to consider a federal savings program rather than a multitude of state plans?

56. Is it necessary to provide specific answers to the above 55 questions? If so, must they be answered in the bill that establishes your program, or is that better left to those who administer your program?

Appendix A - Who Pays for Higher Education and When?

Who Pays for Higher Education and When?

--Creative Financing and Postsecondary Education

Presented by Eric Seacrest, Vice Chairman
Nebraska Coordinating Commission
for Postsecondary Education

To the Education Committee
of the Nebraska Legislature
Dec. 2, 1988

CREATIVE FINANCING AND POSTSECONDARY EDUCATION

In an April, 1987, report on tuition and financial aid, the Nebraska Coordinating Commission for Postsecondary Education raised and addressed the question, "Who should pay for college and when?"

It is perhaps one of the most challenging financial questions our society faces.

Increasingly, the answer to the question seems to be: Let everyone possible pay some part of the bill and in addition let's spread the cost over as many years before college and after college as possible.

To borrow a term from real estate, we could call this approach "creative financing".

We see this approach implemented in a variety of public policies such as:

1. Tax incentives for parental savings beginning long before their children's college years.
2. Tax support of public institutions to keep tuition low.
3. Tax support to aid certain students through grants and scholarships.
4. Tax subsidized loans that the student pays off during the years after college.

In addition, this financing dilemma puts pressure on public policy makers and higher education officials to hold down costs of running colleges and universities which in many cases have increased faster than family incomes or sources of financial aid.

TUITION AND FEES

The 1987 Commission Report compared tuition and fees of Nebraska's public institutions in the middle part of this decade with peer institutions in other states.

In general, tuition and fees of almost all Nebraska public institutions were generally comparable to or slightly lower than averages of peer institutions in other states. There was very little evidence to suggest that Nebraska's public colleges and universities were charging excessively high tuition and fees.

Of course, some people still would argue that virtually all American colleges and universities charge too much for higher education because they pass along costs which they see as excessive.

And, on the other hand, some people argue that average or below average tuition by public institutions unnecessarily subsidizes all students including students and families who could afford much more.

Nonetheless, the Coordinating Commission and the Legislature have appeared comfortable with tuition levels comparable to peer institutions.

While the 1987 Commission Report recommended that "governing boards continue to have responsibility for establishing tuition and fees policy and rates," it also asked that attention and study be given to the relationship between the cost of a program, the tuition charged and the development goals of the state.

FEDERAL FINANCIAL AID

The federal government plays a significant role in providing financial aid, primarily through: 1) grant aid, 2) loan aid, and 3) work study aid.

The 1987 Commission Report described the changing nature of federal financial aid: "Federal financial aid has taken a significant shift in the type of assistance received by students in higher education. In 1976, approximately 80% of the aid received was in the form of grants and 17% in the form of loans. In comparison, in 1987, approximately 45% of federal aid was in the form of grants and 52% in loans. Work study aid has remained at a constant 3%."

Clearly loan programs have replaced grants as the major source of federal student financial aid. Recent estimates suggest that about one-half of students leave college with some educational debts.

While experts disagree whether the overall burden of college debt is a problem, they often note that the burden of loan payments hits certain segments of the population harder than others, which raises questions about access to higher education. Also, the federal government shows increasing concern about the default rate on educational loans which may lead to changes in loan programs.

"Furthermore," the 1987 Commission Report noted, "the tax deductions for interest on loan will gradually phase out, increasing the net cost of borrowing" due to the 1986 Tax Reform Act.

While the net cost of paying off loans after college apparently will go up, the tax hit on saving money before college may go down.

Congress recently reacted to growing interest in encouraging parental savings for educational expenses years before children actually go to college. Federal law generally will exempt from taxation the interest on U.S. Series EE Savings Bonds purchased beginning in 1990 if used for educational expenses. Only lower and middle income families will qualify for this exemption.

The huge federal deficit makes it difficult to predict the federal aid policies which will emerge from the new Bush administration and the next sessions of Congress.

STATE FINANCIAL AID

Like the federal government, the state plays a major role in financing higher education in Nebraska. The principal components of state financial aid are: 1) general tax support of public institutions, 2) tax support of tuition remissions at public institutions and 3) state tax support of the State Student Incentive Grant (SSIG) Program for students at Nebraska public and private colleges.

TAX SUPPORT OF PUBLIC INSTITUTIONS

Tax support of Nebraska's public colleges and universities represents the most significant source of funds for these institutions. State tax support generally provides about half of the funding for Nebraska's 4-year colleges and universities. Technical community colleges in Nebraska generally get around 30% of their funding from state taxes and around 30% to 40% from local property taxes.

Tax support obviously and significantly allows public institutions to charge lower tuition and fees to all Nebraska students compared to private institutions in Nebraska and almost all out-of-state institutions.

As significant as tax support is, there exists scant evidence to suggest that tax support of higher education in Nebraska stands at excessive levels when compared to other states.

With tax support also comes expectations from various segments of the public that higher education be equitable and reasonably accessible for different demographic groups and different regions of the state. The inescapable reality is that access to higher education has become increasingly more important, especially for place-bound residents and for people who face some economic disadvantage.

TUITION REMISSION

The 1987 Commission Report called tuition remission "another tool available to help offset the cost of higher education to students in Nebraska. The practice of tuition remission involves forgiving all, or part of a student's tuition cost, usually in the form of an institutional scholarship or fellowship", often to attract the more gifted students.

The Report noted that "in FY 1985, the actual dollars reported as tuition remission totaled $7.5 million among Nebraska's three sectors of public higher education." The Report emphasized that "these dollars are not accessible to all students in need". The Report further noted that "tuition remission policies may differ among the sectors, raising an issue which needs to be addressed."

FINANCIAL AID FOR NEEDY STUDENTS

The final and smallest component of state financial aid consists of the State Student Incentive Grant Program, commonly called SSIG.

SSIG uses funds from both federal and in-state sources to provide grants to students in need of financial aid attending public and private institutions of higher education. In fact, it often aids the most needy of these students.

The 1987 Commission Report recommended that the Legislature appropriate additional funds for state-based financial aid based on need.

The Coordinating Commission was pleased that this year the Legislature approved the Governor's request for $750,000 in additional state funds for the SSIG program. The SSIG program totals $1,812,000, of which $1,281,000 is from state sources and the balance is federal funds.

Even with the additional state appropriation, Nebraska compares poorly with almost every other state in providing grants to needy students.

The Coordinating Commission has recommended gradual increases in state funding of the SSIG program for future years.

The Coordinating Commission recently held a hearing concerning operation of the SSIG program. Points made at the hearing include:

1. The current distribution formula is not as sensitive to educational expenses as it once was.
2. Cash disbursement practices which reflect traditional starting in September and January do not work as well with a number of non-traditional approaches to education.

3. The state's appropriation and funding process is rather awkward and roundabout.
4. No funding for expenses of the Coordinating Commission in administrating SSIG is provided by either federal or state funding sources.
5. The state's program to help needy students is still quite small compared to other states and compared to the amount of unmet need.
6. In comparison with other states, past legislation, appropriations and procedures in Nebraska have reflected a bias against financial aid to students attending private institutions, a situation which may not be in the best interest of the state.

The Coordinating Commission plans to consider changes in distribution and disbursement practices. The Commission would need the support of Legislators on the matters which involve appropriation levels and procedures.

OTHER STATES AND OTHER POSSIBILITIES

Some other states have attempted to encourage savings for higher education well before the student actually reaches college age, particularly by middle-income families. The two most common approaches are: 1) Tax exempt state savings bonds and 2) Prepaid tuition schemes.

Tax exempt state bonds attempt to do what Congress authorized with passage of the tax exemption on U.S. Series EE Savings Bonds used for education expenses. The idea is to let savings compound without tax liability to pay for expenses of higher education.

Prepaid tuition schemes also involve putting up money years before the student reaches college age and let the money compound with little or no tax liability. However, with prepaid tuition schemes the eventual payoff is some amount of prepaid tuition such as 12 credit hours or 4 years of undergraduate study at certain in-state institutions.

At the state level, both approaches face somewhat uncertain federal income and gift tax treatment. Both involve significant administrative, marketing and policy complexities. Both amount to the public sector issuing IOUs which poses a problem in a state with a bias against public debt.

State savings bond programs for education expenses may be effectively displaced by the recently passed U.S. Savings Bond tax exemption.

Prepaid tuition schemes throw another complicating factor in the already complex arena of setting tuition policy and levels. Plus they shift a financial risk to the public sector if tuition charges increase faster than the investment yield on the prepaid funds.

The Coordinating Commission has not yet placed a high priority on consideration of either of these two types of state-sponsored programs.

FINANCIAL AID FOR ADVANCED EDUCATION

The financial aid picture may be particularly bleak for students seeking financial aid for education beyond the bachelor degree level. Many federal programs such as Pell grants simply become unavailable for advanced education, leaving loans as the only viable source for needy students.

The 1987 Commission Report expressed a concern about the "increasing student loan indebtedness on access to public postsecondary education, particularly graduate education."

As technology and information increasingly drive the world economy, more advanced skills and knowledge are needed to compete. Unfortunately, Nebraska already trails other states in many areas of advanced education.

While Nebraska has ranked consistently higher than U.S. averages on most education measures, it has lagged other states noticeably in graduates with Masters Degrees. Problems in financing education as well as access to programs may be part of the problem.

On a per capita basis, Nebraska produces less than half as many Masters Degrees as the U.S. as a whole in several fields, including business administration, engineering, computer sciences and health sciences.

The SRI report on Nebraska's future said that Nebraska's "higher education system may not be adequately meeting the changing and generally more advanced human resource needs of Nebraska industry."

THE ONGOING CHALLENGE

Recent years have produced strong demand for access to higher education and costs of colleges in many cases have increased faster than family incomes or sources of financial aid. As long as this situation remains, we have to look for ways to improve methods of financing higher education.

At the same time, perhaps we need to appreciate better each of the cost-effective educational programs already operating within Nebraska's various sectors of higher education.

A difficult challenge for state policy makers lies in getting beyond the inevitable conflicts between educational sectors and institutions as they compete for students and for funds and in seeking policies which best serve the people across this great state.

Appendix B - Financial Aid Programs Available in Nebraska

Pell Grant
This program provides direct grants from the federal government to undergraduate students for educational expenses. Grants range from $200 to $2200 per year for the full-time student and are prorated for part-time study. The amount of the grant is dependent upon the amount contributed by the family as well as the cost of education at the school the student decides to attend. The grant cannot exceed 60% of the cost of the education at the school. Undergraduate students who have not received a bachelor's degree from any institution and who are enrolled at least part-time at any approved institution may apply.

Suppplemental Educational Opportunity Grant Program (SEOG)
The grants provided by this program range from $100 to $4,000 for full-time students and are prorated in value per academic year. The funds from the SEOG are awarded first to students with the greatest financial need. Priority is also given to students with Pell Grant eligibility. The program is only open to those who are earning their initial degree at an approved institution. The amount of the grant is based upon the financial need of the individual as well as fund availability of the school.

Perkins Loan (PL)
This provides long-term loans at low interest to eligible students. The federal government contributes up to 90% of the loan, with the balance provided by the institution. The postsecondary institution is responsible for the selection of recipients as well as collecting outstanding loans. Undergraduates may borrow a maximum of $9,000, but no more than $4,500 until their third year of study (junior year). A total of $18,000 may be borrowed if the student continues in graduate or professional study. The student (borrower) must sign a promissory note for the loan when funds are received. Repayment usually begins six months after the student discontinues at the part-time minimum enrollment. Interest accrues at the rate of 5% during the repayment period. Any graduate or undergraduate studying at least a part-time level at an approved institution may apply. The amount of award is based on demonstrated need.

College Work-Study Program (CWS)
This program is federally funded for those working towards an undergraduate or graduate degree. The funds may be earned on campus or through off-campus community organizations. The students involved in the CWS program normally have 80% of their wages paid by the federal government. Any undergraduate or graduate student enrolled at least part-time at an approved institution may apply for the CWS funds. The school's financial aid officer considers the student's financial needs, class schedule, career interest, and academic standing when determining how many hours a week a student will work under the program.

Guaranteed Student Loan (GSL)
This program is run by a combination of federal government, the state, and private lenders. Undergraduates my apply for a federally subsidized loan of up to $4,000 per academic year depending on the grade level, but it cannot exceed an outstanding balance of $17,250.
Those students continuing to graduate school may borrow up to $7,500 with the maximum outstanding balance increasing to $54,750. No interest is charged to the borrower until repayment begins. The student will not begin repayment until six months after the student

leaves school or goes under part-time enrollment. The GSL has been changed to the Stafford Loan Program under HR4639.

Parent Loan for Undergraduate Students (PLUS)/Supplemental Loan for Students (SLS)
The PLUS program allows parents to borrow money to pay for their sons' or daughters' postsecondary education. Although the parents borrow the money, it must be used for the student's educational expenses. Independent students may also be eligible to borrow under the SLS program. The interest rate is variable and the borrower is responsible for repayment for all interest on the loan. The amount is also limited to the difference made by any additional aid awarded to the students. The total amount that can be borrowed per student is $20,000. Repayment begins 60 days after disbursement with the minimum amount of $600 being paid back each year. Parents and student taking part in this program may reduce their chances of receiving other aid which they may be eligible for.

State Student Incentive Grant Program (SSIG)
The SSIG program provides financial aid to students on the basis of substantial need under specific criteria annually established and approved by the Nebraska Coordinating Commission for Postsecondary Education. Grants must be matched from state general funds. The amount awarded may be up to $2,500 per student, per academic year.

Appendix C - Student Aid for Postsecondary Education

STUDENT AID FOR POSTSECONDARY EDUCATION
1987-88 SCHOOL YEAR UNDERGRADUATE STUDIES

SCHOOL	FEDERAL ASSISTANCE	DIRECT STATE ASSISTANCE	INDIRECT STATE ASSISTANCE	INSTITUTIONAL ASSISTANCE	PRIVATE-SECTOR ASSISTANCE	UNMET NEED
UNL TOTAL 48,375,893	Pell 7,082,822 SEOG 391,374 PL 1,205,019 CWS 1,078,109 GLS 26,257,275 SLS 330,613 PLUS 671,244	SSIG 132,695 State Scholarships 805,535 Need Based N/A	RA GA TA TOTAL 1,878,170	Foundation and Alumni Scholarships 1,486,462 Athletic Scholarships 1,450,015 Campus Employment 4,621,243	Scholarships 717,407 Other 267,910	7,215,774
UNO TOTAL 10,917,627	Pell 2,683,584 SEOG 163,851 PL 604,175 CWS 484,585 GLS 2,644,028 SLS 619,261 PLUS 275,822	SSIG 53,911 State Scholarships 428,506 Need Based 572,077	RA 0 GA 200,004 TA 0 Other 0	Foundation and Alumni Scholarships 207,404 Athletic Scholarships 171,578 Campus Employment 787,973	Scholarships 793,639 Other 227,229	5,600,000
UNMC TOTAL 8,830,588	Pell 296,675 SEOG 37,900 PL 516,200 CWS 118,871 GLS 4,620,834 SLS 588,863 PLUS 18,400 Other-Grants 384,583 Other-Loans 642,007	SSIG 13,940 State Scholarships 287,954 Need Based 171,714 Other-Grants 41,107 NE Medical Student loans 126,000	RA N/A GA 101,177 TA N/A Other 0	Foundation and Alumni Scholarships 528,110 Athletic Scholarships N/A Campus Employment 125,000 Loans 7,500	Scholarships 115,553 Other loans 87,200	277,016
College of Tech Ag, Curtis TOTAL 121,803	Pell 26,935 SEOG 12,000 PL 25,166 CWS 14,802 GLS 21,849 SLS 1,000 PLUS N/A	SSIG 1,483 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment 6,335	Scholarships 12,233 Other N/A	121,803

SCHOOL	FEDERAL ASSISTANCE	DIRECT STATE ASSISTANCE	INDIRECT STATE ASSISTANCE	INSTITUTIONAL ASSISTANCE	PRIVATE-SECTOR ASSISTANCE	UNMET NEED
Bellevue College TOTAL 1,388,280	Pell 378,987 SEOG 8,415 PL 22,000 CWS 33,128 GLS 756,921 SLS 78,350 PLUS 18,800	SSIG 17,804 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other 4,150	Foundation and Alumni Scholarships 17,875 Athletic Scholarships 27,500 Campus Employment N/A	Scholarships 13,000 Other 11,350	1,407,500
Bishop Clarkson College of Nursing TOTAL 408,269	Pell 86,396 SEOG N/A PL N/A CWS N/A GLS 303,991 SLS N/A PLUS N/A	SSIG 4,097 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships 11,035 Other 2,750	153,040
College of Saint Mary TOTAL 2,428,885	Pell 333,039 SEOG 161,855 PL 111,971 CWS 87,254 GLS 1,146,481 SLS 274,926 PLUS 27,564	SSIG 12,420 State Scholarships N/A Need Based N/A	RA 28,346 GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 54,550 Athletic Scholarships 155,894 Campus Employment 44,585	Scholarships N/A Other N/A	846,773
Concordia Teachers College TOTAL 4,058,320	Pell 423,578 SEOG 171,155 PL 149,500 CWS 80,907 GLS 709,892 SLS 41,893 PLUS 87,222	SSIG 20,039 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 1,674,745 Athletic Scholarships 128,498 Campus Employment 10,680	Scholarships 559,435 Other N/A	4,057,544
Creighton University TOTAL 51,530,608	Pell 1,037,292 SEOG 409,081 PL 1,709,291 CWS 508,161 GLS 10,207,652 SLS 2,867,316 PLUS 604,032	SSIG 38,554 State Scholarships N/A Need Based N/A	RA 13,625 GA 47,748 TA 19,142 Other 109,200	Foundation and Alumni Scholarships 531,290 Athletic Scholarships 456,585 Campus Employment 891,434	Scholarships 371,715 Other N/A	5,012,311
Dana College TOTAL 2,290,425	Pell 243,325 SEOG 59,833 PL 189,901 CWS 47,814 GLS 594,225 SLS 56,330 PLUS 114,889	SSIG 6,171 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 619,971 Athletic Scholarships 248,375 Campus Employment 72,186	Scholarships 13,400 Other 24,005	2,290,425

SCHOOL	FEDERAL ASSISTANCE	DIRECT STATE ASSISTANCE	INDIRECT STATE ASSISTANCE	INSTITUTIONAL ASSISTANCE	PRIVATE-SECTOR ASSISTANCE	UNMET NEED
Doane College TOTAL 2,548,555	Pell 332,633 SEOG 85,040 PL 143,575 CWS 81,159 GLS 839,030 SLS 20,439 PLUS 34,358	SSIG 16,606 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A VOC Rehab 4,600	Foundation and Alumni Scholarships N/A Athletic Scholarships 301,050 Campus Employment 44,266 Academic Scholarships 476,070	Scholarships 169,729 Other N/A	357,696
Grace College of the Bible TOTAL 516,415	Pell 150,742 SEOG N/A PL N/A CWS N/A GLS 158,851 SLS 24,682 PLUS 6,100	SSIG 5,554 State Scholarships N/A Need Based N/A	RA 14,900 GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment 100,000	Scholarships 55,586 Other N/A	105,495
Hastings College TOTAL 4,005,639	Pell 437,739 SEOG 85,113 PL 98,050 CWS 63,000 GLS 1,303,131 SLS 16,000 PLUS 32,000	SSIG 14,531 State Scholarships N/A Need Based N/A	RA 23,000 GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 1,868,075 Athletic Scholarships N/A Campus Employment 65,000	Scholarships N/A Other N/A	1,395,515
Midland Lutheran College TOTAL 3,999,268	Pell 450,960 SEOG 119,192 PL 239,210 CWS 152,429 GLS 1,402,456 SLS and PLUS 201,270	SSIG 20,610 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 106,710 Athletic Scholarships 303,664 Campus Employment 59,950 Other Institutional Scholarships & Aid 922,817	Scholarships 20,000 Other 0	528,900
Nebraska Christian College TOTAL 314,683	Pell 99,039 SEOG 11,880 PL N/A CWS 11,960 GLS 68,971 SLS 3,000 PLUS 11,000	SSIG N/A State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 60,956 Athletic Scholarships N/A Campus Employment N/A	Scholarships 47,877 Other N/A	91,000

SCHOOL	FEDERAL ASSISTANCE	DIRECT STATE ASSISTANCE	INDIRECT STATE ASSISTANCE	INSTITUTIONAL ASSISTANCE	PRIVATE-SECTOR ASSISTANCE	UNMET NEED
Methodist College of Nursing and Allied Health TOTAL 454,035	Pell 79,148 SEOG N/A PL N/A CWS N/A GLS 188,784 SLS 4,000 PLUS N/A	SSIG N/A State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 66,916 Athletic Scholarships N/A Campus Employment N/A	Scholarships 11,139 Other 104,048	354,663
Nebraska Wesleyan University TOTAL 4,329,000	Pell 460,000 SEOG 106,000 PL 250,000 CWS 80,000 GLS 1,600,000 SLS 12,000 PLUS 20,000	SSIG 16,000 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 1,575,000 Athletic Scholarships N/A Campus Employment 120,000	Scholarships 90,000 Other N/A	910,731
Union College TOTAL 2,564,483	Pell 331,287 SEOG 117,689 PL 156,100 CWS 129,343 GLS 696,631 SLS 12,970 PLUS 60,123	SSIG 18,872 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 471,797 Athletic Scholarships N/A Campus Employment 476,832	Scholarships 19,700 Other 20,296	1,339,814
York College TOTAL 1,077,666	Pell 162,661 SEOG 74,309 PL 119,518 CWS 67,215 GLS 192,390 SLS N/A PLUS 36,768	SSIG 13,450 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 13,490 Athletic Scholarships 77,668 Campus Employment N/A	Scholarships N/A Other 320,197	Able to provide a full package for all students through loans.
Central Community College TOTAL 2,983,408	Pell 1,446,610 SEOG 68,887 PL N/A CWS 72,218 GLS 1,037,665 SLS 175,920 PLUS 21,233	SSIG 26,839 State Scholarships N/A Need Based N/A	RA 8,309 GA N/A TA N/A Other 7,299	Foundation and Alumni Scholarships 21,633 Athletic Scholarships 39,874 Campus Employment N/A Tuition Waiver 4,385	Scholarships 52,546 Other N/A	3,075,616
Metropolitan Community College Area TOTAL 2,425,439	Pell 1,378,137 SEOG 66,375 PL N/A CWS 184,537 GLS 421,000 SLS 20,225 PLUS 11,000	SSIG 48,900	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 1,763 Athletic Scholarships N/A Campus Employment N/A Scholarships 150,000 Need Based 129,728	Scholarships 13,894 Other N/A	9,214,326

SCHOOL	FEDERAL ASSISTANCE	DIRECT STATE ASSISTANCE	INDIRECT STATE ASSISTANCE	INSTITUTIONAL ASSISTANCE	PRIVATE-SECTOR ASSISTANCE	UNMET NEED
Mid-Plains Community College Area TOTAL 1,527,745	Pell 858,744 SEOG 18,028 PL N/A CWS 42,536 GLS 433,272 SLS 17,000 PLUS 7,500	SSIG 15,504 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 140,681 Athletic Scholarships 50,949 Campus Employment 37,080 MCC Tuition Waivers 83,268	Scholarships 23,263 Other N/A	230,459
Northeast Tech Community College TOTAL 2,408,249	Pell 923,221 SEOG 22,300 PL N/A CWS 48,823 GLS 663,442 SLS 179,120 PLUS 34,886	SSIG 28,316 State Scholarships N/A Need Based N/A	RA 4,847 GA N/A TA N/A Agencies 191,396	Foundation and Alumni Scholarships 2,512 Athletic Scholarships 29,464 Campus Employment 17,606	Scholarships 200,377 Other 2,925	1,180,911
Southeast Community College Area TOTAL 2,951,379	Pell 1,008,500 SEOG 44,706 PL N/A CWS 95,393 GLS 1,260,000 SLS 323,810 PLUS 33,750	SSIG 36,050 State Scholarships N/A Need Based 21,478	RA N/A GA N/A TA N/A Other 2,200	Foundation and Alumni Scholarships 37,250 Athletic Scholarships N/A Campus Employment 25,000	Scholarships 63,242 Other N/A	3,401,543
Western Nebraska Community College TOTAL 1,502,904	Pell 808,930 SEOG 17,748 PL 12,277 CWS 50,172 GSL 318,177 SLS 129,650 PLUS 25,570	SSIG 13,038 State Scholarships 26,308 Need Based N/A	RA 3,127 GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 26,331 Athletic Scholarships 36,473 Campus Employment 11,435	Scholarships 23,668 Other N/A	1,506,903
Chadron State College TOTAL 2,857,280	Pell 1,370,177 SEOG 28,536 PL 285,000 CWS 260,000 GLS 623,066 SLS 12,000 PLUS 10,000	SSIG 23,198 State Scholarships 80,000 Need Based 20,000	RA 0 GA 11,342 TA 675 Other 40,000	Foundation and Alumni Scholarships 54,042 Athletic Scholarships 23,044 Campus Employment 0	Scholarships 1,200 Other 15,000	536,135
Kearney State College TOTAL 12,743,811	Pell 3,350,000 SEOG 102,466 PL 440,000 CWS 400,000 GLS 5,730,899 SLS and PLUS 525,000	SSIG 61,916 State Scholarships 491,000 Need Based 58,500	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 203,000 Athletic Scholarships 89,800 Campus Employment 442,000	Scholarships 0 Other 849,300	747,096

SCHOOL	FEDERAL ASSISTANCE	DIRECT STATE ASSISTANCE	INDIRECT STATE ASSISTANCE	INSTITUTIONAL ASSISTANCE	PRIVATE-SECTOR ASSISTANCE	UNMET NEED
Peru State College TOTAL 2,362,400	Pell 740,000 SEOG 31,000 PL 80,000 CWS 84,000 GLS 1,072,000 SLS 40,000 PLUS 41,000	SSIG 12,400 State Scholarships 148,000 Need Based 24,000	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 48,000 Athletic Scholarships N/A Campus Employment 10,000	Scholarships 20,000 Other N/A	520,000
Wayne State College TOTAL 4,650,918	Pell 1,370,000 SEOG 53,374 PL 220,000 CWS 104,378 GLS 2,100,000 SLS 125,000 PLUS 75,000	SSIG 27,454 State Scholarships 320,553 Need Based 20,394	RA N/A GA 10,080 TA N/A Other 43,737	Foundation and Alumni Scholarships 56,537 Athletic Scholarships 49,511 Campus Employment N/A	Scholarships 75,000 Other N/A	500,000
Bahner College of Hairstyling TOTAL 331,301	Pell 127,981 SEOG 7,843 PL N/A CWS N/A GLS 189,314 SLS N/A PLUS N/A	SSIG 6,163 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships N/A Other N/A	Not Reported
David's Head College of Hair Design TOTAL 183,359	Pell 79,427 SEOG 4,925 PL 10,850 CWS N/A GLS 71,475 SLS 21,554 PLUS N/A	SSIG 4,128 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships N/A Other N/A	69,424
College of Hair Design TOTAL 402,826	Pell 88,756 SEOG 7,261 PL 5,400 CWS N/A GLS 296,109 SLS 3,300 PLUS 2,000	SSIG N/A State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships N/A Other N/A	44,500
Institute of Computer Science, Ltd. TOTAL 1,019,812	Pell 160,569 SEOG 11,379 PL 13,762 CWS 13,987 GLS 552,000 SLS 237,888 PLUS 26,432	SSIG 3,812 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships N/A Other N/A	2,202,188

SCHOOL	FEDERAL ASSISTANCE	DIRECT STATE ASSISTANCE	INDIRECT STATE ASSISTANCE	INSTITUTIONAL ASSISTANCE	PRIVATE-SECTOR ASSISTANCE	UNMET NEED
Lincoln School of Commerce TOTAL 2,288,200	Pell 460,000 SEOG 35,000 PL 100,000 CWS 50,000 GLS 1,200,000 SLS 300,000 PLUS 100,000	SSIG 4,000 State Scholarships N/A Need Based N/A	RA 4,200 GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships 25,000 Athletic Scholarships N/A Campus Employment N/A	Scholarships 10,000 Other N/A	886,200
Nebraska Custom Diesel Drivers Training TOTAL 7,009,100	Pell N/A SEOG N/A PL N/A CWS N/A GLS 3,391,500 SLS 3,617,600 PLUS N/A	SSIG N/A State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships N/A Other N/A	651,000
Omaha College of Health Careers TOTAL 658,405	Pell 221,816 SEOG N/A PL N/A CWS N/A GLS 410,489 SLS 11,000 PLUS 12,000	SSIG N/A State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships 3,100 Other N/A	Not Reported
Spencer School of Business TOTAL 1,031,284	Pell 184,813 SEOG 19,527 PL 48,540 CWS 11,404 GLS 735,000 SLS 20,000 PLUS 12,000	SSIG N/A State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships N/A Other N/A	2,336,537
Universal Technical Institute TOTAL 1,181,075	Pell 273,969 SEOG N/A PL N/A CWS N/A GLS 766,500 SLS and PLUS 132,000	SSIG 8,606 State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships N/A Other N/A	2,326,333

SCHOOL	FEDERAL ASSISTANCE	DIRECT STATE ASSISTANCE	INDIRECT STATE ASSISTANCE	INSTITUTIONAL ASSISTANCE	PRIVATE-SECTOR ASSISTANCE	UNMET NEED
Word Processing & Secretarial College TOTAL 244,440	Pell 100,000 SEOG N/A PL N/A CWS N/A GLS 236,250 SLS 5,000 PLUS 1,000	SSIG N/A State Scholarships N/A Need Based N/A	RA N/A GA N/A TA N/A Other N/A	Foundation and Alumni Scholarships N/A Athletic Scholarships N/A Campus Employment N/A	Scholarships 2,190 Other N/A	332,460
Note: RA - Resident Assistant GA - Graduate Assistant TA - Teaching Assistant N/A - Not Applicable						

STUDENT ASSISTANCE SURVEY

Please disclose the total dollar amount of assistance available for student during the 1987-88 award year, in each of the following categories:

1. Federal Assistance

Pell	_____	
SEOG	_____	
Perkins Loan	_____	
CWS	_____	
GSL	_____	
SLS	_____	
PLUS	_____	_____

2. Direct State Assistance (need based and merit based)

SSIG	_____	
State Scholarships (Regents, Board of Trustees, Presidents, etc.)	_____	
Need Based Tuition Waivers	_____	_____

3. Indirect State Assistance (tuition remission for services rendered)

Resident Assistants	_____	
Graduate Assistants	_____	
Teaching Assistants	_____	
Other	_____	_____

4. Institutional Assistance

Foundation and Alumni Scholarships	_____	
Athletic Scholarships	_____	
Campus Employment (non CWS)	_____	_____

5. Private-Sector Assistance

Scholarships (service organizations, businesses, etc.)	_____	
Other	_____	_____

Total Student Assistance $_____

Please indicate N/A if category does not apply. Thank You.

Please remit survey to:

Senator Ron Withem
District 14
Room 1112 - State Capitol
Lincoln, Nebraska 68509

Appendix D - Tax Status of Prepaid Tuition Guarantee Plans

Nebraska State Legislature

719 Donegal
Papillion, Nebraska 68046

Legislative Address:
State Capitol
Lincoln, Nebraska 68509
Office: (402) 471-2730

SENATOR RON WITHEM
District No. 14

MEMORANDUM

TO: Members of the Education Committee

FROM: Larry Scherer, Committee Counsel

RE: Tax Status of Prepaid Tuition Plan - LR 390

DATE: November 4, 1988

Tax Status of Prepaid Tuition Guarantee Plans

(Michigan IRS Ruling)

The Plan: Parents purchase contract from the "Michigan Education Trust" for child age 4, guaranteeing tuition at public Michigan colleges or universities. Contract cost is based on child's age and estimated tuition cost also the time of matriculation. Cash refunds (of purchase price less administrative fee) are available to an alternative beneficiary under limited conditions. The Trust is governed by separate public Board of Directors and is not a state agency. Trust funds are kept separate from state funds.

IRS Ruling: On March 29, the IRS issued a ruling applicable only to the specific facts of the Michigan plan. The IRS has not, and probably will not, issue a blanket ruling on all the prepaid tuition guarantee plans being proposed. However, the Michigan ruling is instructive as to the major tax status questions of prepaid tuition plans as follows:

I. The purchaser of the tuition futures contract is not liable for federal income tax on gain (or income produced from the contract).

II. The contract is a gift for the child - beneficiary and is not income to the child for federal tax purposes when the purchase is made.

III. Income earned from the contract will be a taxable capital gain to students (taxable at the parents tax rate). When the child enrolls in college and the benefits of the contract are realized there will be a taxable gain for each year of college to the extent that the value of the contract exceeds its original purchase price (the equity growth of the contract due to trust investment). However, for many students the standard deduction will shield this income from taxation.

COMMITTEES

- Chairperson, Education
- Chairperson, Education Commission of the States
- Government, Military and Veterans Affairs
- Rules
- Legislative Council

IV. The trust itself is a taxable entity. The IRS rated that the Trust was not subject to state control and that there was a private interest served by the trust as well as a public interest. Income earned on investments of the trust and contract proceeds are income but these will be offset by deductions for payments made to institutions on behalf of beneficiary students.

V. Parents' purchase of of the contract for the child is a current taxable gift which does not qualify for exclusion as a gift of tuition for students since the payment is made to the trust and not directly to the college.

Appendix E - Survey of the States

1988 SURVEY
of
COLLEGE SAVINGS and GUARANTEED TUITION PROGRAMS

ECS
JULY 1988

revised OCTOBER 1988

EDUCATION COMMISSION OF THE STATES
1860 LINCOLN STREET, SUITE 300
DENVER, COLORADO 80295

AIMS MCGUINNESS, Jr.
JENNIFER AFTON
(303) 830-3669

1988 SURVEY
of
COLLEGE SAVINGS and TUITION FUTURES PLANS

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SECTION I: Summary of the 1988 Survey

SECTION II: The 1988 Survey

SECTION III: An Overview of Bills and Resolutions that have been Passed

SECTION IV: Contacts

SECTION I

Summary of the 1988 Survey

SUMMARY OF THE 1988 SURVEY

Advance payment for college strategies tend to fall into one of two broad categories: savings plans (most of which involve the sale of state and local tax free bonds); and guaranteed tuition plans. States that have passed savings bills (date of signing in parentheses) include:

Colorado (4/88), zero-coupon bonds
Connecticut (7/88), general obligation bonds
Delaware (7/88), general obligation bonds
Illinois (9/87), general obligation bonds
Iowa (5/88), capital appreciation bonds
Kentucky (4/88), state savings fund plus an endowment fund
Minnesota (4/88)
Missouri (6/88), serial or term bonds or a combination thereof
North Carolina (7/87), capital appreciation bonds
[1]North Dakota (4/88), zero coupon bonds
[2]Oregon
Rhode Island (6/88), combination bonds and state tax-free educational savings accounts
Virginia (4/88), unit investment trust
Washington (3/88), general obligation bonds
West Virginia ( ), capitol improvement bonds

Four of these fifteen states have implemented their plans: Illinois (January 1988); North Carolina (fall of 1987); North Dakota (June 1988); and Washington (September 1988). Connecticut will sell bonds in December of this year.

Nine states have passed guaranteed tuition bills:

Florida (7/87)
Indiana (7/87)
Maine (6/87)
Michigan (12/86)
Missouri (6/88)
Oklahoma (7/88)
Tennessee (5/87)
West Virginia
Wyoming (2/87)

Michigan is considered the forerunner in this category, and most of the states have used the Michigan bill as a model for their own. These states have delayed implementation of their plans because of the uncertainty of the tax status of tuition futures accounts. Wyoming is the exception; by not exempting their program from federal taxes, they were able to begin selling futures contracts in August of 1987.

In the meantime, the IRS did send Michigan a ruling (dated March 29, 1988) which states that purchasers

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[1]North Dakota actually did not need legislation; instead it passed a resolution authorizing the ND Industrial Commission to market some of its bonds for educational purposes.

[2]Oregon sold $20 million in zero-coupon bonds that were marketed as tuition investment bonds without legislation as part of a pilot program. The state may introduce appropriate legislation as a result of this program.

of contracts would not be taxed. Instead, the Michigan Education Trust (MET) would be taxed at the higher corporate rate, which MET hopes to offset with corporate deductions. (The qualified beneficiary may also have a tax liability when the contract is redeemed). Since the MET considers itself a not-for-profit corporation, it has applied for tax-exempt status.

Unfortunately, the IRS ruling was state-specific rather than blanket in nature as the tuition-guarantee states had hoped. This delayed implementation even further.

Michigan went on-line with its program this August (1988), and Florida began its program one month later, in September. (Florida will request an IRS ruling; however, its legislation allows it to sell contracts before the ruling is received).

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Of the states not mentioned above, some have legislation pending, some are studying the issue, and some have no current interest.

Pending:

-Georgia and Ohio have savings bills that are before their legislatures.

-Massachusetts has a combination savings bond and tuition certificate[3] bill pending.

-California has a combination bill pending that would both establish a college savings bond program with interest indexed to college costs and mandate a study of tuition guarantee plans.

-New Jersey and Pennsylvania each have tuition certificate bills before their legislatures.

Being Studied:

-The following states are studying the issue: Arkansas, Kansas, Louisiana, Nebraska, New Hampshire, New Mexico, New York, Texas and Wisconsin.

No Current Interest:

-Actually, all states are concerned about how their citizens will pay for their children's college educations. Several, however, do not wish to develop plans, programs or legislation at this time. They include: Alabama, Arizona, Georgia, Hawaii, Idaho, Maryland, Mississippi, Montana, Puerto Rico, South Dakota and Utah.

Other:

-Nevada officially supports passage of a federal program, but may consider developing its own program if the former is not forthcoming.

-South Carolina may re-introduce an IRA-type proposal.

-Vermont is awaiting the outcome of federal proposals.

Wisconsin, in addition to a study by the University of Wisconsin, may introduce a savings bond bill next session.

AIMS MCGUINNESS, Jr
JENNIFER AFTON
Denver, Colorado
July 1988

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[3] Tuition certificates represent one method of guaranteeing tuition in the future. A certificate representing a certain fraction of a year's tuition at a university or college that is bought now is guaranteed to pay for that same fraction of a year's tuition at time of redemption.

SECTION II

The 1988 Survey

STATE and INTEREST	STATUS	IMPLE-MENTA-TION	TYPE: SAVINGS	TYPE: GUAR. TUITION	TYPE: OTHER	IRS CONT?	DESCRIPTION or COMMENTS:
ALABAMA (low)	no current interest						
ALASKA (high)	see "comments"		X			no	Legislative resolution that Alaska Student Loan Corp market a portion of its next bond issue as 0-coupon Alaska Student Savings Bonds in denominations affordable to small investors did not pass. The ASLC, however, will pursue the concept without a resolution. May develop & implement an educational & marketing program; may also study other ways of financing higher education. The Commission on Post-secondary Education will also be considering other programs & possibilities.
ARIZONA (low)							Any interest would tend toward savings plans; however, the issue is not a high priority just now.
ARKANSAS (med-high)	being studied						Issue is being studied by the governor's task force and the legislature. Tending toward savings plans.
CALIFORNIA (high)	VETOED by governor; AB 2064 (2 sections)		X			no	First section: Existing G.O. bonds to be sold as college savings bonds. Interest to be indexed to college costs. Risks to be borne by private financial institutions. Expect implementation 4-6 months after passage.
							++++++++++++++++
				X		yes	Second section expresses legislature's intent to study a tuition guarantee plan. Requires reports by the California Postsecondary Education Commission & by the Dept of Finance in time for a bill to be introduced in Jan 89.
COLORADO (high)	SIGNED 4/88	1989	X			no	Colorado College Savings Bond Program, HB 1282. Zero-coupon bonds to be issued by the Colorado Postsecondary Education Facilities Authority. There is a possibility that incentives may be added later (perhaps offered by individual schools rather than by the state).

STATE and INTEREST	STATUS	IMPLE-MENTA-TION	TYPE: SAVINGS	TYPE: GUAR. TUITION	TYPE: OTHER	IRS CONT?	DESCRIPTION or COMMENTS:
CONNECTICUT (high)	SIGNED 6/88	Dec 88	X			no	Family College Savings Plan, Public Act 88-299. G.O. bonds to be designated & sold as college savings bonds. Altho an advisory committee is to study 10 issues (advertising, marketing, cost & availability of bonds, financial incentives, financial aid exemption, whether to limit the number of bonds per purchaser, payment methods, alternative financing of the bonds, estimated cost of this plan and administrative details) & report back by 1 Jan 89, bonds will be sold before then, in time for the 1988 holiday season. Approx prices for $1,000 bonds: $250 for 15 yr bonds; $700 for 5 yr bonds.
DELAWARE (high)	SIGNED 7/88	1989	X			no	SB 476 enables the state to issue small denomination capital appreciation bonds suitable for (among other things) long-term educational needs such as paying for higher education.
FLORIDA (high)	SIGNED 7/87	mid-SEPT 1988		X (includes dorm plan)		yes**	Florida Prepaid Postsecondary Education Expense Program (aka FL Postsecondary Cost Stabilization Fund). Includes 3 plans: 1) university plan (tuition); 2) community college plan (tuition); 3) dormitory residence plan. "Tuition" is defined as matriculation fee, financial aid fee, capital improvement fee and building fee. Single payment or monthly installments. Businesses & others may contribute to contracts for low-income students. Plans may be mixed (example: 2 yrs CC plus 2 yrs university & 1 yr dorm). Fees not mentioned above, supplies and meals, etc., are not included. 1988 prices start at $3,800/4 yrs' tuition for an infant. Contracts transferable to siblings. Refunds on principal only, no interest. Non-residents may not buy contracts; however, contracts will be honored if family moves out-of-state. Principal & interest may be transferred to a FL private school; difference in tuition to be borne by purchaser. **IRS NOTES: State's position: Trust monies are within the state treasury, therefore not taxable. However, there will be tax consequences at time of reimbursement. A state-specific IRS ruling is being requested.
GEORGIA (med)	being studied		X			no	Capital Appreciation Bonds for Educational Savings, HB 1613, is under consideration by the Study Subcommittee of the University System of Georgia.

STATE and INTEREST	STATUS	IMPLE-MENTA-TION	TYPE: SAVINGS	TYPE: GUAR. TUITION	TYPE: OTHER	IRS CONT?	DESCRIPTION or COMMENTS:
HAWAII (low)	no activity at this time						
IDAHO (low)	no activity at this time						
ILLINOIS (high)	SIGNED 9/87	1/88	X			no	College Savings Bonds Program, Public Act 85-0939. $90 million in state G.O. bonds were sold between 11 and 13 Jan 1988 (demand was for approx $270 million). Prices ranged from $900 to $3,500. If proceeds are used in-state for public or private education, state will pay a bonus of .25% on the interest ($100 to $400 per bond). Second sale took place September 12-16, 1988.
INDIANA (high)	SIGNED 6/87	within the next 12 months, approx.		X	(*)	yes	Baccalaureate Education System Trust (BEST). Modelled after the Michigan program. No IRS ruling expected before the presidential elections. Working on administrative structure at this time. (*) Indiana University and other schools also considering tuition futures.
IOWA (high)	SIGNED 5/88		X			no	Iowa College Super Savings Plan authorizes State Board of Regents to issue up to $19 million in capital appreciation bonds, marketed for college savings. Also to implement an educational & marketing program to inform parents of options & to encourage early planning. 50% of bonds must be at $1,000 or lower, denominations.
KANSAS (med)	being studied						An interim committee is studying the issue. A prepaid tuition bill was introduced but died.
KENTUCKY (high)	SIGNED 4/88	within the next 12 months, approx.	X			no	Kentucky Educational Savings Plan Trust Act, SB 38, establishes a public trust with 2 funds: a program fund for parental investments/savings; & an endowment fund for public funds, gifts, bequests, etc., to enhance the former if proceeds are used at KY state schools. Investors may also borrow from the trust for higher ed costs.

STATE and INTEREST	STATUS	IMPLE-MENTA-TION	TYPE: SAVINGS	TYPE: GUAR. TUITION	TYPE: OTHER	IRS CONT?	DESCRIPTION or COMMENTS:
LOUISIANA (med-high)	pending						A statute requiring the formation of a study committee is pending.
MAINE (high)	SIGNED 6/87	unknown		X		yes	Student Education Deposit Plan (SEED), H.P. 581-L.D. 779. Ruling requested from Maine Attorney General on whether or not to proceed in light of Michigan ruling, or to ask IRS for own ruling. (Status of request for IRS ruling must be made known before contracts may be sold).
MARYLAND (low)							Tuition futures section of the Omnibus Higher Education Act did not pass.
MASSACHUSETTS (high)	pending		X	X		no	This is a combination savings bond & tuition certificate bill. G.O. bonds to be sold as college savings bonds & to be used as tuition certificates at participating colleges. Interest to be linked to projected college costs. Covers all academic costs, not just tuition. Bill would allow for reciprocal agreements with other states.

STATE and INTEREST	STATUS	IMPLE-MENTA-TION	TYPE: SAVINGS	TYPE: GUAR. TUITION	TYPE: OTHER	IRS CONT?	DESCRIPTION or COMMENTS:
MICHIGAN (high)	SIGNED 12/86	8/88		X		yes	Michigan Baccalaureate Education System Trust (BEST), Public Act No. 316. Applications accepted in Aug 88, contracts entered into in Sept 88. S&Ls will take payments & arrange for loans if needed. Approx prices: $1689/1 yr's tuition for a newborn; $2055/1 yr's tuition for a 10-yr old. This was the first of the tuition guarantee programs to be passed, & serves as a model for the majority of others. Guarantee is good at the 15 state universities, 29 community colleges. Contracts also available for community colleges alone (at a lower rate) or combination cc/university. Refunds: Original investment minus admin costs only, or original investment plus interest minus admin costs, depending upon contract. A refund may also be paid directly to an independent degree-granting Mich institution, the amount to be not less than the prevailing weighted average tuition cost at a state institution for the number of credit hours covered by the contract on date of termination. **IRS NOTES: IRS ruling of 29 Mar 88: plan is tax-exempt to purchaser (altho there may be a minimal tax liability to the qualified beneficiary upon redemption of the contract). Mich Education Trust (MET) is tax liable at the corporate rate, but also benefits from corporate deductions, reducing net liability to an estimated 0-15%. MET has applied for tax exempt status based on the fact that it is a not-for-profit corporation.
MINNESOTA (high)	PASSED April 1988	early 1989	X			no	Legislation was passed to determine feasibility of a college savings bond program. If yes, then a bond sale is authorized. Study due out in early November 1988.
MISSISSIPPI (low)							May study issue next legislative session.
MISSOURI (high)	SIGNED 6/88	one year or more	X	X		yes	Both. Missouri Access to Higher Education Act (HB 1456), sections 1 thru 21 (tuition guarantee) and sections 360.015 thru 360.120 (savings bonds). **IRS Notes: IRS ruling needed before contracts may be sold.
MONTANA (low)							No activity at this time.
NEBRASKA (low-med)	being studied						Interim study underway. Bill to establish a state college savings plan was introduced but did not pass.

STATE and INTEREST	STATUS	IMPLE-MENTA-TION	TYPE: SAVINGS	TYPE: GUAR. TUITION	TYPE: OTHER	IRS CONT?	DESCRIPTION or COMMENTS:
NEVADA (high)(*)							(*)High interest but no activity at this time. The Board of Regents officially supports passage of a federal bond program; meantime Nevada will continue to monitor events in other states. May also develop a state savings program if federal programs are not forthcoming.
NEW HAMPSHIRE (med)	being studied			X		yes	A tuition guarantee bill is in interim study.
NEW JERSEY (high)	re-introduced			X		yes	Re-introduced: New Jersey Advance College Tuition Program Act of 1988, SB 1513. Approved by the Education Committee, being considered by the Senate Revenue, Finance & Appropriations Committee. Purchase certificates worth a particular percentage of tuition at a specific institution now, will be worth the same percentage at time of redemption. Independent schools may elect to participate.
NEW MEXICO (low-med)							The issue is being discussed by the Commission of Higher Education. May be addressed in next Five-Year Plan.
NEW YORK (med)	being studied		X				Savings programs being considered. Regents savings plan was proposed but not introduced. TAP and Liberty Scholarship programs are tabled for now. Current interest is focussed mainly on existing financial aid & scholarship programs. Interest in any kind of tuition program revolves mainly around savings plans.
NORTH CAROLINA (high)	SIGNED 7/87	Fall 1987	X			no	College Savings Bond Plan authorized sale of tax-free revenue bonds in denominations small enough to help parents save for their children's college educations. Bonds are marketed as an ideal vehicle for educational savings. Approx $30 million sold since start. This plan is very similar to that of Illinois.

STATE and INTEREST	STATUS	IMPLE-MENTA-TION	TYPE: SAVINGS	TYPE: GUAR. TUITION	TYPE: OTHER	IRS CONT?	DESCRIPTION or COMMENTS:
NORTH DAKOTA (high)	SIGNED 4/88	6/88	X			no	Orders for approx $15 million in savings bonds were taken from 20 to 24 June 88. Zero-coupon, maturity value of $5,000, sold at $200 to $400...Legislation was not needed, so "Policy Resolution (Educational Bonds for Savings Program) by the Industrial Commission of North Dakota" was passed. Commission may already sell bonds; this resolution authorized the Comm. to market a certain portion of these bonds as educational savings bonds. Unless legally or otherwise disallowed, bonds may be redeemed for tuition certificates (not guarantees), payable at eligible ND schools for tuition, fees, room & board within 3 years of maturity. Bonds must be used for tuition; however, if the qualified beneficiary cannot or does not wish to attend postsecondary education, they may be sold to other parties.
OHIO (med-high)	pending		X			no	If there is not enough time to pass the Savings Bond Program bill before the end of this session, it may very well be re-introduced next year.
OKLAHOMA (high)	SIGNED 7/88	unknown		X		yes	OK Tuition Trust Act, HB 2010, creates a prepaid tuition trust by either 6/90 or upon favorable IRS ruling, whichever occurs last. Modelled after Michigan plan.
OREGON (high)	*		X			no	*Trial sale of $20 million in bonds. If considered successful, appropriate legislation will be introduced for more sales.
PENNSYLVANIA (high)	being considered			X		yes	Tuition Credit Purchase Plan (with amendments) is being considered. The Commonwealth will bear the risk for state-owned & state-related schools & for community colleges. Independent schools (voluntary participation) assume their own risk, but may draw from a reserve account in case of shortfall (but are responsible for the balance if funds are insufficient).
PUERTO RICO (low)	no activity at this time						
RHODE ISLAND (high)	SIGNED 6/88	early to mid 89	X			no	College Savings Plan of Rhode Island (3 bills) provides for tax-free bonds ($1,000 face value) & state-tax-free educational savings accounts. Up to $25,000 in savings are exempt from financial aid considerations. Also, state tuition grant monies are to be doubled by 1993.

STATE and INTEREST	TYPE: STATUS	IMPLE-MENTA-TION	SAVINGS	GUAR. TUITION	OTHER	IRS CONT?	DESCRIPTION or COMMENTS:
SOUTH CAROLINA (medium)	see "comments"				"IRA" type	yes	The Child's Education Savings Act did not pass this session, but may be re-introduced January 1989. $3,000 tax-free per year per taxpayer may be set aside for education. Monies will be disbursed to school for tuition & room; also up to $600 per year may be used for books & fees upon approval of trustee.
SOUTH DAKOTA (low)	no activity at this time						
TENNESSEE (high)	SIGNED 5/87	open		X		yes	Tennessee Baccalaureate Education System Trust Act, Public Chapter 281, (tuition futures plan). State will request a state-specific IRS ruling, and may sell contracts after the ruling is received, even if it's unfavorable. NOTE: the state is currently re-examining implementation procedures.
TEXAS (low to med)	being studied						Texas is studying the issue for the 1989 legislative session.
UTAH (low)							A tuition guarantee bill was defeated in February 88. State is willing to consider other proposals, but is mostly interest in watching federal developments.
VERMONT (medium)							Interested but awaiting outcome of possible federal legislation. No proposals will be submitted to state's legislature until such time. If federal legislation doesn't pass, state may consider its own legislation.
VIRGINIA (high)	PASSED 4/88	8 to 10 months	X			no	Virginia Tuition Savings Program (a unit investment trust). One or several funds will be established from which financial institutions can purchase shares for their clients at the local level (families). Shares might sell as low as $200.
WASHINGTON (high)	PASSED 3/88	Sept 1988	X			no	College Savings Bond Act of 1988, modeled after the Illinois plan. Similar in most respects except that neither financial aid exemptions nor special financial incentives are planned (altho they are being considered). First issue of $50 million was sold out in September 1988.

STATE and INTEREST	STATUS	IMPLE-MENTA-TION	TYPE: SAVINGS	TYPE: GUAR. TUITION	TYPE: OTHER	IRS CONT?	DESCRIPTION or COMMENTS:
WEST VIRGINIA (high)	PASSED	July 1989	X	X	X	yes	Three tuition plans were passed; a Savings Bond Plan under the State Board of Education; a Tuition Savings Trust Fund and a Prepayment Plan similar to Michigan's. The last two are under the Treasurer's office, and implementation procedures are currently being developed.
WISCONSIN (med-high)	being studied						Issue being studied by U of WI; a report is expected out by Nov 88. Certain members of legislature would like to see a savings bond bill intro'd next session, which would authorize double-exempt state G.O. bonds to be used for college savings & which would include some sort of financial incentive...There are also some private bond issues that are being sold in WI in small denominations & are targeted toward people with college fund investment needs.
WYOMING (high)	PASSED 2/87	8/87		X incl. room & board		no	Advance Payment of Higher Education Costs, Enrolled Act No. 9, provides for advance payment of resident & non-resident tuition; also for room & board. Cost for a contract maturing in 2004 are approx $6,393 (for 4 years) as of 1 Aug 88.

SECTION III

An Overview of Bills and Resolutions that have been Passed

SAVINGS PLANS

Colorado
Connecticut
Delaware
Illinois
Iowa
Kentucky
Minnesota
Missouri
North Carolina
North Dakota
Oregon
Rhode Island
Virginia
Washington
West Virginia

PREPAID TUITION PLANS

Florida
Indiana
Maine
Michigan
Missouri
Oklahoma
Tennessee
West Virginia
Wyoming

COLORADO

Title: Colorado Postsecondary Education Savings Bond Bill; H.B. 1282

Type: Educational savings bonds

Status:
- Signed April 1988
- Must be implemented NLT July 1, 1990; plan to do so in 1989

Description: HB 1282 creates the Colorado Postsecondary Educational Facilities Authority to lend money to higher education institutions for acquisition, construction, repair, improvement, etc. Zero-coupon bonds with maturation dates of 4 to 18 years will be sold to finance same.

Price:
- To be set by the Authority in such denominations (and distributed in such a way) as to make them easily available to the general public.
- The Authority will examine the feasibility of installment plans, payroll deductions and matching employer/employee purchase plans.

Room/Board/Fees? Bonds and any financial incentives may be used to pay for any education-related costs.

Incentives? May be considered if the cost of such incentives "shall not cause the cost to the Authority of the redemption value of the Colorado postsecondary education savings bonds being issued to be increased by more than one-half of one percent." Such incentives will be provided only if the bonds are used for in-state higher education costs; they may not be used by students in a religious school or divinity department, or who are in training for the ministry, priesthood, rabbinate or other religious profession.

Whose risk? Primarily the purchaser's.

Portability: In-state: Completely. Out-of-state: Yes, but in all probability any financial incentives would not be portable.

CONNECTICUT

Title: Family College Savings Plan; Public Act 88-299

Type: Educational savings bonds

Status:

- Signed June 1988
- Will sell in early December 1988, pre-order in late November 88
- Interest may be excluded from gross income for federal & state income tax purposes

Description: General obligation bonds to be designated and sold as college savings bonds (with no less than 5 and no more than 20 years' maturity). Although the ten issues listed in **Other** (below) have not been addressed yet, the first sale will be in December, in time for the 1988 holiday season. This first issue will simply be a straightforward bond sale, with no particular incentives, financial aid exemptions, etc. The bonds may be used for any purpose whatsoever.

Price: $1,000 bonds at the first sale will cost $250 per 15-year bond, $700 per 5-year bond.

Whose risk? Primarily the purchaser's

Other: No later than January 1, 1989, the state treasurer and the board of governors of higher education in consultation with the family college savings plan advisory committee (established specifically for this purpose) shall develop recommendations on the following issues:

"(1) advertising to inform the public about the availability of college savings bonds;

(2) marketing and financing of the issues and sales subsequent to the initial one;

(3) the specific increments, maturities and denominations in which to market the bonds in order to make the bonds affordable and funds available at the time when such funds are needed to meet higher education costs;

(4) financial incentives which might be provided, including a supplemental grant payment to be applied to tuition and other direct costs at institutions of higher education in the state;

(5) the feasibility of exempting from the determination of eligibility for state student financial aid some portion of the contributions toward the purchase of college savings bonds or some portion of the value of the bonds and interest at maturity;

(6) limits on the total value of college savings bonds which may be purchased by individuals or families;

(7) the feasibility of staggered or periodic forms of payment for the purchase of college savings bonds, including payroll deductions;

(8) the feasibility of any alternative financing of college savings bonds;

(9) the estimated cost of financing and administering the family college savings plan; and

(10) ongoing administrative authority and responsibility for the family college savings plan."

Also: Within six months after the initial issue and sale, the state treasurer and the board of governors are to give an evaluation and recommendations for improvements, if any, on the plan.

DELAWARE

Title: Senate Bill 476

Type: Savings Bonds

Status:

- Signed July 1988
- Will be implemented in 1989

Description: The most important practical effect of this bill is that Delaware bonds may now be issued in smaller, more affordable denominations. From a synopsis of the bill by Senator Still:

> This bill eliminates the legal obstacles - lack of express mention of capital appreciation bonds, and prohibition of both negotiated sales and issues with payment of principal at a time greater than one year from the date of issue - from the Delaware Code, thus enabling the issuing officers to bring about small denomination capital appreciation issues, which could be a suitable vehicle for meeting a family's future higher education expenses. In addition, the bill specified that the amount of the aggregate initial offering prices pertaining to the issue is the amount to be used in calculating the State's position with regard to statutory debt limits. The bill also contains a provision requiring the Secretary of Finance to report to the General Assembly on an annual basis regarding the status of the program.

Price: All details of the bond issues will be set by the issuing officers.

Room/Board/Fees: Bonds may be used for any educational or non-educational purpose.

Incentives: None.

Financial Aid Considerations: None.

Whose Risk? Primarily the purchaser's.

Portability: Complete.

FLORIDA

Title: Florida Prepaid Postsecondary Education Expense Program, CS/CS/HBs 47 and 17.

Type: Tuition guarantee - Michigan model (but Florida includes a dormitory residence plan)

Status:

- Signed June 1987
- Status of IRS and SEC ruling requests must be made known by the board before entering into contracts.
- Program to be discontinued if state determines that it is financially infeasible.
- Plan was implemented September 1988

Description: Three plans are offered:

- Community College Plan (prepayment of 60 credit hours)
- University Plan (prepayment of 120 credit hours.) May be converted to a community college plan - see "Refunds."
- Dormitory Residence Plan (available to purchasers of the University Plan in one, two, three, four or even five-year increments)

Eligibility and Residency:

- The qualified beneficiary must be a Florida resident at time of purchase; the purchaser, however, may be from Florida, another state or even a foreign country.
- Qualified beneficiaries will be considered residents for tuition purposes whatever their legal residence at time of matriculation.

Price: (1988 single payment plan prices for an infant): Four years of university cost $3,796; two years' community college cost $882; combination plan (two years university/two years CC) costs $2,772; one year's dormitory contract costs $1,081. Prices increase for older children and when installment plans are chosen.

Room/Board/Fees? "Tuition" is defined as consisting of matriculation, financial aid, capital improvement and building fees. Other fees are not included. Room is paid for if a dormitory residence plan is purchased. Board is not covered.

Financial Aid Considerations: The value of prepaid tuition and dormitory contracts will be counted as part of a family's resources when figuring need-based financial aid.

Whose risk? Risk is shared by the state, the trustee services firm and the product providers. If monies in the fund are insufficient to meet contractual obligations to purchasers and qualified beneficiaries, the trustee services firm agrees to meet these obligations if it has selected or supervised programs imprudently; the product providers if they have invested imprudently; and the state is responsible for all other circumstances.

Florida cont'd next page

FLORIDA cont'd

Portability: - None across state lines
- Within the state, plans may be applied toward eligible independent colleges or universities (located and chartered in Florida; not-for-profit; properly accredited; and degree-granting as defined by the law). The amount paid out will equal the cost of public tuition at the time of initial enrollment. Dormitory contracts may also be transferred to Florida private universities and colleges. Purchasers or qualified beneficiaries are responsible for any shortfall.

Military time: The length of tour of duty of a qualified beneficiary will not be counted as part of the contractually specified time.

Termination and Refunds:

-Refunds are subject to a $50 administrative fee.

-Termination occurs when benefits have not been used within 10 years after the projected enrollment date (not counting military time) and no other arrangements have been made. There will be no refund in this case.

-Refunds are also not allowed if the qualified beneficiary decides to drop out after completing more than 50% of the allowable semester hours, unless it is a matter of converting a university plan to a community college plan, and the qualified beneficiary graduates from the latter.

-Appropriate refund is given if a university plan is converted to a community college plan.

-Complete refunds (investment plus interest) are given if the state decides to cancel the program. Qualified beneficiaries who are already enrolled in school, or who are within one year of enrollment, however, will receive the full benefits contracted for.

-Other refund situations will be specified in the contracts.

Transferability/Substitutions: Contracts may be transferred to younger half-, step- or legally adopted siblings or to those less than three years older than the original qualified beneficiary. Exceptions to this rule may be made in writing by the Board; however, contracts may not be transferred to siblings already in college.

Administrative:

-The program is administered by the Prepaid Postsecondary Education Expense Board, which is assigned to the Division of Treasury/Department of Insurance, but is independent of it.

-The Board will contract out for the services of a records administrator, a trustee services firm and one or more product providers (insurers, banks and/or investment companies).

ILLINOIS

Title: Baccalaureate Savings Act, Public Act 85-0939

Type: Education savings bonds

Status:

- Signed December 1987
- First sale, January 1988 ($90 million sold; demand may have been as high as $270 million)
- Second sale, September 12-16, 1988

Description: General obligation bonds that are designated, marketed and sold as General Obligation College Savings Bonds. These bonds may be used anywhere for anything, even for non-educational purposes.

Eligibility and Residency: Anyone may purchase - anyone may use.

Price: Denominations have ranged from $935 to $3,700 approximately, with maturities of 5 to 20 years.

Room/Board/Fees? Covered, since the bonds may be used for anything.

Incentives:

- Denominations are smaller than regular general obligation bonds.
- Bonus paid if bonds are used for tuition at in-state institutions of higher education.
- Up to $25,000 will be exempt from being factored into state financial aid formulas.
- Income tax exemptions

Financial Aid Considerations: See Incentives, above

Whose Risk: Primarily the purchaser's

Portability: Complete portability

Military time: N/A

Termination and Refunds: N/A

Transferability/Substitutions: N/A

Administrative: The Baccalaureate Trust Authority advises both the director of the Bureau of the Budget and the Governor on all aspects of the bonds. Issuance of the bonds is directed by the Governor upon recommendation by the Director of the Bureau of Budget.

Other: An important aspect of this program is the educational and marketing effort required to inform parents about the options available for financing a higher education and the need to save in advance.

INDIANA

Title: Baccalaureate Education System Trust (BEST program), House Bill 1018

Type: Tuition guarantee - Michigan model

Status:
- Signed May 1987
- Trust income exempt from state and local taxes.
- Status of IRS and SEC ruling requests must be made known by the board before entering into contracts.
- Plan to be implemented within the next 12 months, approximately

Description: Three plans are offered:

- Plan A: Good for 124 semester hours or 8 semesters or the number of hours required by the institution for a baccalaureate degree, whichever is lesser. Refund under Plan A consists of the investment minus administrative costs, no interest.
- Plan B: Same as above, except for the refund which consists of the investment, plus interest, minus administrative costs.
- Plan C: Good for the completion of a 2-year postsecondary program. Refund is the same as for Plan A.
- Plans A and B may be used to obtain a 2-year degree first before moving on to another state program, or they may be converted to a 2-year degree program entirely.

Eligibility and Residency:
- Residents of the state are eligible to purchase
- Qualified beneficiaries under any of the above plans who are no longer state residents will be responsible for the difference between resident and non-resident tuition.

Price: Not yet set

Room/Board/Fees? No. Plan covers tuition only.

Incentives:
- Guaranteed tuition
- State and local tax exemptions

Financial Aid Considerations: Proceeds are considered parental contributions for the purpose of calculating financial aid.

Whose risk? Neither the state nor a state educational institution are "obligated to assume the responsibility of meeting the conditions of the advance fee payment contract or any liabilities of the advance fee payment fund."

Portability: None across state lines. A refund may be requested by a person authorized to terminate the contract, and it may be specified that the refund is to be paid directly to an independent degree-granting institution in Indiana. The refund may not exceed the amount applicable to a state school. If there is excess, it will be returned to the requester.

Indiana cont'd next page

INDIANA cont'd

Military time: Not addressed in this bill.

Termination and Refunds: (Refer also to the description of each plan).

-Termination occurs when benefits have not been used within the time specified on the contract, and no other arrangements have been made; there will be no refund in this case.

-Refunds are also not allowed if the qualified beneficiary decides to drop out after completing more than 50% of the allowable semester hours. This does not apply to graduates of two-year programs.

-Refunds are allowed according to each plan (see above) when the qualified beneficiary: 1) dies; 2) is not admitted to a state institution of higher education; 3) certifies to the trust that she or he does not wish to attend a state institution of higher education (beneficiary must be of majority age); or 4) if other circumstances occur, as determined by the trust and the contract.

Transferability/Substitutions:

- Transferability not addressed in this bill
- Substitution permitted

Administrative:

-The trust is administered by the State Board of Finance.

-Assets of the trust fund are not state monies, but are to be invested and spent solely for the purposes of this law.

Other: This law empowers the trust to study the feasibility of cooperation between private sector investment managers and independent institutions in order to provide prepayment plans for the latter.

IOWA

Title: Iowa College Super Savings Plan, House File 2377

Type: Educational savings bonds

Status: Signed May 1988

Description: The Iowa State Board of Regents is already authorized to issue general obligation bonds for educational construction purposes; with this legislation it may issue and sell a portion of these bonds to facilitate savings for future college costs. An issue of not more than $19 million is authorized by this bill. The development of "an educational program and marketing strategies designed to inform parents about the options available for financing a college education and the need to accumulate the financial resources necessary to for a college education" is also mandated.

Price: At least 50% of the bonds issued are to be sold at a price of $1,000 or less

Whose risk? Primarily the purchaser's

KENTUCKY

Title: Kentucky Educational Savings Plan Trust Act, SB 38

Type: Educational savings plan with endowment fund

Status:
- Signed April 1988
- To be implemented within the next 12 months, approximately

Description: This bill establishes a public trust in which "citizens of the Commonwealth...may invest moneys for future educational use." An endowment fund is also established "which may be funded with public funds, among other sources, the income from which will be made available to participants in the trust to enhance their savings." A specific amount of money shall be invested for a specific amount of time, but agreements may be amended as needs change.

Note: This plan does not guarantee that the principal invested plus interest earned will cover tuition, fees, etc. either at time of redemption or matriculation.

Eligibility and Residency: Kentucky citizens may participate. (The vestment period consists of 8 continuous years of residency in the Commonwealth.) Participants may include individuals, firms, corporations or their legal representatives.

Room/Board/Fees? Proceeds may be used for the "certified costs of tuition, fees, room and board..." of higher education.

Incentives: In effect the endowment fund is an incentive.

Whose risk? Both the states' and the purchaser's

Termination and Refunds: Conditions to be set by the board that governs the trust.

Transferability/Substitutions: Agreements may be freely amended throughout their terms for several reasons, including the re-designation of beneficiaries.

MAINE

Title: Student Educational Enhancement Deposit Plan (SEED); HP 581 - LD 779

Type: Tuition guarantee - Michigan model

Status:
- Approved June 1987
- Interest is state and local income tax exempt
- Status of IRS and SEC ruling requests must be made known by the board before entering into contracts.
- Implementation date is unknown

Description: Two plans are offered, both good for guaranteed tuition at accredited state institutions of higher education leading to baccalaureate degrees. The qualified beneficiary may attend a community or junior college or a state vocational-technical institution first, or may even complete a degree at such a school; appropriate financial arrangements will be made.

The main difference between the two plans is that under Plan A the purchaser is entitled to a face-value refund only, while under Plan B a refund of face-value plus interest is allowable.

Eligibility and Residency:
- Residents of the state are eligible to purchase.
- The contract will specify how many credit hours will be paid for if the qualified beneficiary is a non-resident who is entitled to in-state tuition.

Price: Not yet set

Room/Board/Fees? No, covers tuition only.

Incentives:
- Guaranteed tuition
- State and local tax exempt

Financial Aid Considerations: Not addressed in this bill

Whose risk? Primarily the state's

Portability: A refund, or "settlement sum," may be paid directly to any accredited institution of the purchaser's choice, including independent institutions. The sum paid out may not exceed the total amount of tuition at a state institution.

Military time: Not addressed in this bill.

Maine cont'd next page

MAINE cont'd

Termination and Refunds:

-Termination occurs when benefits have not been used within the time specified on the contract, and no other arrangements have been made. There will be no refund in this case.

- Contracts may be terminated (with refund according to the above plans) if the qualified beneficiary: 1) dies; 2) is not admitted to a state institution of higher education; 3) is at least 25 and certifies that she or he chooses not to use the benefits; or 4) if other conditions occur, as determined by the plan and the contract.

-Refunds are also not allowed if the qualified beneficiary decides to drop out after completing more than 50% of the allowable semester hours for a baccalaureate. This does not apply to graduates of vocational-technical schools or community or junior colleges.

Transferability/Substitutions:

- Transferability is not addressed
- Substitutions are permitted

Administrative: The plan is within the state treasury, but is independent of the state treasurer, and is governed by a board of directors. Fund assets are not to be considered state monies, but they may be pooled with state investments.

Other: The bill stipulates a one-time appropriation of $10,000 for initial administrative expenses, to be paid back from funds collected by the plan by July 1, 1989.

MICHIGAN

Title: Michigan Education Trust Act; also known as the Michigan Baccalaureate Education Student Trust (BEST), Public Act No. 316, Enrolled HB No 5505.

Type: Tuition guarantee. (This is the model for most other tuition guarantee plans.)

Status:
- Signed December 1986
- 82,000 interested parties applied in August 1988; contracts were signed in September 1988

IRS Notes: IRS ruling of March 29, 1988: plan is tax-exempt to the purchaser, although there may be a minimal tax liability to the qualified beneficiary when the contract is redeemed. The Michigan Education Trust (MET) is tax liable at the corporate rate, but also benefits from corporate deductions, reducing net liability to an estimated 0-15%. MET has applied for tax exempt status based on the fact that it is a not-for-profit corporation.

Description: Two plans are offered:
- Plan A: The purchaser is entitled to a refund of the original investment minus administrative costs.
- Plan B: The purchaser is entitled to a refund of the original investment, minus administrative costs, plus interest earnings.
- Both plans are good for guaranteed tuition at state institutions of higher education leading to a baccalaureate degree. However, a qualified beneficiary may also choose to attend a junior or community college first, or may ask for an appropriate refund after graduating from a 2-year state school.

Eligibility and Residency:
- Michigan residents may purchase the plan.
- Qualified beneficiaries must be state residents.

Prices (August 1988 estimates): $1,689 for one year's tuition for a newborn; $2,055 for one year's tuition for a 10 year old.

Room/Board/Fees? No, covers tuition only.

Incentives:
- Guaranteed future tuition for a relatively low current price.
- Purchase price is state income tax exempt. Interest is state and local tax exempt.

Financial Aid Considerations: Not addressed in this bill.

Whose Risk: Primarily the state's.

Portability:
- A refund may be paid directly to an independent degree-granting institution in Michigan. The amount will not be less than the prevailing weighted average tuition cost at a state institution for the number of credit hours covered by the contract on the date of termination.
- No portability over state lines.

Michigan cont'd next page

MICHIGAN cont'd

Military time served: Not addressed in this bill.

Termination and Refunds:

- Termination occurs when benefits have not been used within the time specified on the contract, and no other arrangements have been made. If neither the purchaser nor the qualified beneficiary nor their agents can be found after reasonable effort, the trust may retain that which would have been refunded.
- Contracts may be terminated (with refund according to either Plan A or Plan B) if the qualified beneficiary: 1) dies; 2) is not admitted to a state institution of higher education; 3) certifies that she or he has been accepted by and will attend a Michigan independent degree-granting institution; 4) certifies that he or she has decided not to attend a state institution of higher education; or 5) if other circumstances occur, as determined by the trust or by the contract.

Transferability/Substitutions:

- Purchasers or qualified beneficiaries may neither sell nor transfer their contracts to another without prior approval.
- Substitution, however, is permitted.

Administrative:

- The trust is within the Department of Treasury, but functions independently of the State Treasurer.
- Trust funds are not to be considered state monies, but they may be pooled with state assets for investment purposes.

Other: This law empowers the trust to study the feasibility of instituting prepayment plans between private sector investment managers, state institutions of higher education, and independent degree-granting schools.

The trust is also asked to study prepayment plans for junior and community colleges.

MINNESOTA

Title: H.F. No. 2396

Type: Savings Bonds

Status:

- Passed April 1988
- Report due November 1988 (see below)

Description: The Commissioner of Finance, in cooperation with the Higher Education Coordinating Board, is to study the market for and feasibility of college savings bonds (state general obligation bonds). If the report is favorable, the Commissioner may then issue G.O. bonds for educational investment.

The report must include findings on financial aid considerations, demographics, whether the availability of bonds will actually increase savings, the impact of financial aid on savings habits, estimated demand for these bonds for the next 5 years, disucssion of the denominations and maturities of bonds, marketing strategies, etc.

MISSOURI

Title: Missouri Access to Higher Education Act, HB 1456

Status: Signed June 1988

Type: HB 1456 contains both elements:
Sections 1 - 21, **tuition guarantee**, and Sections 360.015 through 360.120, **savings bonds.**
Each will be treated separately below.

Tuition Guarantee, sections 1-21

Description: (Based on the Michigan plan). Purchasers pay into the Missouri Access to Higher Education Trust Fund on behalf of qualified beneficiaries for the advance payment of tuition at any of the state institutions of higher education. There will be no further tuition cost to the qualified beneficiary.

Price: Payments may be made through payroll deductions by the state, state agencies, counties, municipalities or other political subdivisions.

Room/Board/Fees? Proceeds may be used for tuition only.

Whose risk? Primarily the trust's and the state's.

Portability:
-Advance tuition payment contracts may be terminated and direct payment of the refund may be made to an independent degree-granting college or university in the state. The qualified beneficiary will have to make up any shortfall, or conversely, if the refund is greater than the total amount needed at the designated institution, the difference goes to the qualified beneficiary.
-A qualified beneficiary may attend a community college, then terminate the contract upon receiving a degree; or attend community college, receive a degree, then terminate the contract before going on to a 4-year university; or attend a community college, then go on to her or his baccalaureate degree, all on the contract.
-Out-of-state portability is not addressed.

Termination and Refunds: (See Portability, above). Refunds depend upon the contract signed by the purchaser - provision may be made for refunds. Termination is allowed in case of death of the qualified beneficiary (QB); in case the QB is not admitted to a state institution of higher education; in case the QB certifies (after age 18) that she or he has no intention of attending college or university; or under other circumstances that may be spelled out in the contract.

Transferability/Substitutions: May not be sold or transferred without prior approval of the trust, "which consent shall not be unreasonably withheld."

Administrative: The trust is to be located within the state office of administration, but will operate independently.

Missouri cont'd next page

MISSOURI cont'd

Educational Savings Bonds, sections 360.015 through 360.120

Description: The Health and Educational Facilities Authority of the state of Missouri is empowered to sell bonds to raise revenues to accomplish its goals, and may designate all or a portion of such "bonds, notes or other evidences of indebtedness" as Missouri College Savings Bonds. These bonds are to be structured in such a way as to encourage Missouri residents to save for higher education, and to encourage attendance at Missouri institutions of higher education. Incentives include tax exempt investment alternatives.

Room/Board/Fees? Yes, bonds may be used for any educational purpose.

Whose risk? Primarily the purchaser's.

NORTH CAROLINA

Title: Senate Bill 820, Chapter 650

Type: Educational savings bonds

Status:

-Signed July 1987
-Interest is local, state and federal income tax exempt
-Approximately $30 million sold in first year

Description: Capital Appreciation bonds are being marketed for educational purposes. The approach is two-fold: 1) offer the bonds at affordable rates; and 2) increase public awareness of these bonds for educational savings.

Eligibility and Residency: Anyone may purchase, anyone may use.

Price: Denominations as low as $125 each, with varying maturity dates.

Room/Board/Fees? Covered, since bonds may be used for anything.

Incentives: -Small denominations
-Deep discounts
-Tax exemptions on interest

Whose risk? Primarily the purchaser's.

Portability: Complete.

Military time: N/A

Administrative: State and local governmental units are authorized to sell these bonds. Administrative procedures are the same as when they are sold for non-educational purposes.

NORTH DAKOTA

Title: Educational Bonds for Savings Program policy resolution by the Industrial Commission of North Dakota

Type: Educational savings bonds/Tuition certificates (non-guaranteed). Since the Industrial Commission is already authorized to sell bonds, this is not a legislative bill, but a resolution instructing the Commission to sell a portion of its bonds for educational savings.

Status:

-Adopted June 1988
-Must be endorsed by the North Dakota State Board of Higher Education; and
-State institutions of higher education must accept the certificates for payment of educational expenses; and
-Designated officers or representatives of state institutions of higher education must be instructed to execute certification of payments.

Description:

-Upon maturity of bonds, proceeds are paid out in the form of tuition certificates which may be used for payment of educational expenses (tuition, fees, room and board) at eligible institutions of higher education. These institutions must then present the certificates to the trustee for payment within 60 days of receipt.
-Payment may be in cash if it is determined that certificates are not permissible or legal.

Price: "...Authorized Officers shall...determine the appropriate denominations and maturities for [Educational Savings] Bonds."

Room/Board/Fees: Covered.

Incentives: No.

Whose risk? Primarily the purchaser's.

Portability: Bonds to be used within the state only.

Military time: Certificates must be used within three years of redemption of the bonds; military service time is not specifically addressed in this resolution.

Refunds: Not addressed.

OKLAHOMA

Title: Oklahoma Tuition Trust Act, HB 2010

Type: Tuition guarantee

Status:

-Signed July 1988
-IRS contingent
-Contracts may be purchased after June 1,1990 or upon receipt of a favorable IRS ruling, whichever occurs later.

Description: Modelled after the Michigan plan. Either plan A or plan B will be offered for the advance payment of tuition (see the Michigan for descriptions of plans A and B).

Eligibility/Residency: Reasonable residency requirements for qualified beneficiaries are to be set by the Board of Regents.

Price: To be determined at a later date.

Room/Board/Fees: Tuition only is covered.

Incentives: Guaranteed tuition.

Whose risk? Primarily the state's.

Military time: To be described in the contract.

Termination and Refunds: Refunds will be addressed in the contracts. See also the descriptions of plans A and B.

Contracts will be terminated if or when the qualified beneficiary dies, is not admitted to an Oklahoma state institution of higher education, certifies after age 18 that she or he does not wish to attend an Oklahoma institution of higher education, or under other circumstances that will be addressed in the contract.

Transferability/Substitions: Substitutions are permitted with the Trust's approval.

Administrative: The Oklahoma Tuition Trust will be governed by the Oklahoma Board of Regents.

Other: If the student receives a scholarship that reduces the amount of tuition required, the Regents will pay out that much less to the institution and will refund that amount to the person contractually designated as the recipient of refunds. (The refund amount will be considered as ordinary income for tax purposes).

OREGON

Oregon held a trial sale of $20 million in bonds to be used for educational purposes. The sale is now being evaluated, and appropriate legislation may be introduced for future sales.

More information will be forthcoming.

RHODE ISLAND

Rhode Island passed a package of three bills that provide for educational savings bonds, state-tax-free educational savings accounts, and exemption of the first $25,000 from financial aid considerations. One of the bills, "Public Law Chapter 88-425, An Act Relating to Education - Postsecondary Financial Assistance," also mandates that state tuition grant monies be doubled by 1993 and describes how need-based grants and scholarship are to be awarded. The other bills are as follows:

Title: Public Law Chapter 88-426, "An Act To Create The Rhode Island College and University Savings Program..."

Type: Educational savings bonds

Status:

-Signed June 1988;
-However, must be approved by voters at the November 1988 elections.

Description: State general obligation bonds are designated and sold as "General Obligation College and University Savings Bonds"

Room/Board/Fees: Covered.

Incentives: See Financial Aid Considerations.

Financial Aid Considerations: According to Section 2 of this legislation, the first $25,000 of college and university savings bond investments will not be "considered in evaluating the financial situation of a student," nor will it be "deemed a financial resource or a form of financial aid or assistance..." Neither will it "reduce the amount of any guaranteed loan, scholarship, grant or monetary assistance..."

Whose risk? The state's and the investor's.

Portability: Bonds may be used in- or out-of-state at institutions of higher education that are public or otherwise non-profit, that are accredited, and that lead to 2- or 4-year degrees.

Transferability/Substitutions: May be used by anyone for higher education purposes (see Portability).

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Rhode Island cont'd next page

RHODE ISLAND cont'd

Title: Public Law Chapter 88-427, "An Act Relating to Family Education Accounts."

Type: Educational savings.

Status:

-Signed June 1988
-Interest is state tax-exempt

Description: Family Education Accounts may be established by individual taxpayers with a qualified depositary (national bank, federal savings & loan associations, federal savings banks, federal insured credit unions or others with principal business offices in Rhode Island) for the purpose of providing educational benefits to one or more qualified beneficiaries.

Room/Board/Fees? Covered, as long as the costs do not exceed the median amounts the chosen institution charges its on-campus students.

Incentives: Interest is state income tax-exempt. Any monies withdrawn for non-educational purposes lose this exemption.

Financial Aid Considerations: Not addresssed.

Whose risk? The investor's.

TENNESSEE

Title: Tennessee Baccalaureate Education System Trust Act, HB No. 618, Public Chapter No. 281.

Type: Tuition guarantee - Based on Michigan plan.

Status:

-Signed May 1987
-Implementation date is open
-Trust income is state and local tax-exempt
-Status of IRS ruling requests must be made known by the board before entering into contracts.
-NOTE: Tennessee is currently re-examining its implementation procedures.

Description: This law states simply that contracts for prepaid guaranteed tuition entered into between purchasers and the trust are good at any state institution of higher education which is defined as a "college or university established in Tennessee Code Annotated...or any institution of the University of Tennessee."

Eligibility and Residency: Qualified beneficiary must be a state resident; purchaser's residency is not addressed in this bill.

Room/Board/Fees? Not covered.

Incentives: -Guaranteed tuition
-State and local tax exemptions

Whose risk? Primarily the state's.

Transferability/Substitutions:

-Contracts may not be sold or transferred without board approval.
-Substitutions are not addressed in this bill

Administrative:

-The trust will operate within the state treasury and will be administered by the state treasurer and governed by the board of trustees.
-The Tennessee Student Assistance Corporation will provide staff support to the board and the program.
-Funds may be commingled with other trust funds for investment purposes.
-Items not addressed in the bill are left to the discretion of the board.

VIRGINIA

Title: Virginia Tuition Savings Program

Type: Educational Savings (mutual fund type)

Status:

-Signed April 1988
-Anticipate that shares may be sold within 8-12 months of signing.

Description: The treasurer of Virginia will contract with a financial institution or a consortium of firms to establish and manage the Virginia Tuition Savings Fund, which will contain fixed income investments (such as Virginia and U.S. Goverment bonds, etc). Shares in the fund may be bought for educational savings; strictly speaking, however, this is purely a savings program, the proceeds of which may be used for any purpose whatsoever.

Price: Anticipated to be as low as $200 per share. Routine debit of savings or checking accounts as well as payroll deduction plans may be considered.

Room/Board/Fees? Yes, may be used for any educational expenses.

Incentives? No, although in time incentives may be considered.

Financial Aid Considerations: None

Whose risk? Primarily the purchaser's.

Portability: Completely portable since there are no restrictions as to where or how the money may be spent.

WASHINGTON

Title: The College Savings Bond Act of 1988, HB 1640

Type: Educational savings bonds

Status:

-Signed March 1988
-First issue sold week of September 12, 1988

Description: Modelled after the Illinois plan, this bill provides for general obligation bonds (issued for capital improvements to the state's higher education system) to be marketed as educational savings bonds. Issuing the bonds in smaller denominations as well as possible financial incentives are being considered.

Price: Price at the first sale was $1,077 for a $5,000 bond that matures in 2008. Maturities from 1995 to 2008 were available. The first issue of $50 million was sold out.

Incentives: None yet, but they are being considered.

Financial aid considerations: None at this time.

Portability: Complete.

WEST VIRGINIA

NOTE: West Virginia passed two separate laws that together cover all three categories (savings plan, guaranteed tuition plan and other). They are:

* West Virginia Higher Education Tuition Trust Act (to be administered by the Treasurer's office)
  1. tuition prepayment (guaranteed prepaid tuition)
  2. tuition trust account (other)

* Senate Bill 14 (to be administered by the State Board of Education)
  3. higher education savings plan

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Title: West Virginia Higher Education Tuition Trust Act (also known as the TIGER program - Treasury Investment Guaranteed Education Reserve)

Status:
- Passed July 14, 1988
- IRS and SEC rulings needed before implementation
- Target for implementation: summer of 1989

1. **Type**: (Para 18-30-8: tuition prepayment contracts). Guaranteed prepaid tuition.

Description: The tuition prepayment contract does just what it states - guarantees that tuition and all mandatory fees required of resident undergraduate students will be paid for at state institutions of higher education.

Eligibility and Residency: Any in- or out-of-state resident may be named as the qualified beneficiary. If the beneficiary is a non-resident at time of matriculation, however, the difference between resident and non-resident tuition will have to be borne by the beneficiary or the purchaser. The purchaser may reside in- or out-of-state.

Price: Not addressed in this bill.

Room/Board/Fees: Tuition and fees are covered; room and board are not.

Incentives: Guaranteed prepayment of tuition.

Financial Aid Considerations: Not addressed.

Whose Risk? Primarily the state's.

Portability: Contracts are portable to independent and/or out-of-state schools; however, the difference in cost must be borne by the purchaser or qualified beneficiary.

West Virginia cont'd next page

WEST VIRGINIA cont'd

Military Time: The contract will be extended for the period of time of active duty provided that a Federal Selective Service Act is in effect at that time.

Termination and Refunds: If the qualified beneficiary dies or is permanently and totally disabled, the total investment plus all accrued interest is refunded. If the qualified beneficiary is not admitted to college; decides not to attend college; completes a 2-year degree and does not wish to continue; is on active military duty while a Federal Selective Service Act is in effect; or there are other circumstances contractually stated, a refund will be granted. This refund will consist of the investment plus accrued interest minus administrative fees minus any monies already transferred to an institution of higher education prior to termination.

Transferability/substitutions: Purchaser may substitute one person for another as qualified beneficiary under conditions specified in the contract. Contracts may not be sold or otherwise transferred without the trust's approval.

Administrative: Will be administered by the treasurer's office.

****

2. **Type**: Para 18-30-9: Tuition trust account contracts

Description: A trust account is established by the purchaser for the qualified beneficiary. Monies from the account will be transferred each semester to any institution of higher education to which the qualified beneficiary is admitted as long as the qualified beneficiary is in attendance and the money holds out.

Price: Not addressed.

Room/Board/Fees: Tuition and fees that are assessed at time of registration may be paid for out of the account, but not room or board.

Incentives: None.

Financial Aid Considerations: Not addressed.

Whose risk? Primarily the purchaser's.

Portability: Complete.

Military Time: N/A since there is no time limit on when monies from the trust account may be used.

West Virginia cont'd next page

WEST VIRGINIA cont'd

Termination and Refunds: Refer to same category for Tuition Prepayment Contracts, above.

Transferability/Substitutions: Ditto

Administrative: Ditto

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Title: SB 14

Status:

- Passed July 1988
- No implementation target date at this time
- Not contingent on IRS or SEC rulings

3. **Type**: Other - Individual Higher Education Savings Plans

Description: Capital improvement bonds (through the State Building Authority) may be purchased in order to establish individual higher education savings plans. May be used for any purposes whatsoever; however, if not used for educational purposes (including reasonable child care, room and board), proceeds of the sale of the bonds by the purchaser will be subject to state tax plus an additional penalty equal to ten percent of the tax due.

Price: Bonds will be issued in denominations of $25,$50, $100 and $500. They may be purchased directly or through payroll deduction plans.

Room/Board/Fees? All educational expenses including tuition, fees, books, reasonable room and board and child care may be paid for with monies from the bonds.

Incentives: Income from the sale of the bonds by the purchaser is state tax-free if used for educational purposes (see above).

Financial Aid Considerations: Not addressed

Whose Risk? Primarily the purchaser's

Portability: Complete

Military Time: N/A since the monies from the bonds may be used any time.

Termination and Refunds: N/A

Transferability/Substitutions: N/A

Administrative: The individual higher educations savings plans will be administered by the State Board of Education.

WYOMING

Title: Advance Payment of Higher Education Costs, Enrolled Act No. 9

Type: Tuition guarantee - Michigan model. The difference is that Wyoming's plan includes tuition, room and board in one comprehensive package.

Status:

-Signed February 1987
-Over $2 million in contracts sold as of mid-July 1988
-IRS ruling not needed

Description: Four plans are offered:

-Resident tuition, room, board at any Wyoming community college
-The same for non-residents
-Resident tuition, room, board at the University of Wyoming, or a combination of community college and university
-The same for non-residents

Benefits may be used no sooner than ten years after payment and may be begun no later than 17 years after.

Eligibility and Residency:

-Plans may be purchased by anyone.
-Qualified beneficiaries do not have to be residents; however, if a non-resident beneficiary becomes a resident, the difference in the cost of plans will not be refunded.

Price: As of August 1, 1988, cost for a contract maturing in 2004 was approximately $6,393 for 4 years' tuition.

Room/Board/Fees: Room and Board are covered in all plans. Fees are not covered.

Incentives: Guaranteed tuition, room, board.

Financial Aid Considerations: Not addressed.

Whose risk: Primarily the state's.

Portability: -Portability to within-state independent schools is a moot point since Wyoming currently has no independent or private institutions of higher education.
-No portability out of Wyoming

Military time: Not addressed.

Wyoming cont'd next page

WYOMING cont'd

Termination and refunds:

-Refunds may be given under almost any circumstance, even when the qualified beneficiary chooses not to continue her or his schooling.

-The refund amount will be the investment plus 4% interest compounded annually, minus a pro-rated amount for each semester attended.

-If the qualified beneficiary does not use all benefits, such as when she or he chooses not to contract for room or board at the school, or if any of the costs are paid by another source, the beneficiary may receive these benefits directly.

Transferability/Substitutions:

-Contracts may neither be transferred nor sold.

-Substitutions are permitted.

Administrative:

-The program is administered by the Deputy Treasurer of the University of Wyoming Board of Trustees.

-Administrative fees are to be no more than 2% of the fund's earnings.

-Funds are to be invested with all other University of Wyoming investments.

SECTION IV

Contacts

CONTACTS FOR STATES THAT HAVE PASSED LEGISLATION

Savings Plans:

Colorado: State Representative Gil Romero - (719) 543-9591 or (303) 866-2968

Connecticut: John Siegrist, Director of Financial Aid, Dept of Higher Education - (203) 566-2618
Mark Ojakian - (203) 566-3640

Delaware: John Corrozi - (302) 571-3240

Illinois: Ross Hodel, Deputy Director, Fiscal Affairs, Board of Higher Education - (217) 782-3632

Iowa: Diane Bolender, Iowa Legislative Services Bureau - (515) 281-3894

Kentucky: Debbie McGuffy, Council on Higher Education - (502) 564-3553

Minnesota: Phillip Lewenstein, (612) 296-9684

North Carolina: Jim Newlin, Fiscal Research, Legislative Services Office - (919) 733-4910

North Dakota: Joseph Lamb, President, Bank of North Dakota - (701) 224-5690

Oregon: Lee Penny, House Education Committee - (503) 378-5781

Rhode Island: Charles Fogarty, Senior Policy Analyst, Treasurer's Office - (401) 277-2397

Virginia: Barry Dorsey, Virginia Council of Higher Education - (804) 225-2629

Washington: Susan Hosch or Joan Elgee - (206) 786-7120

West Virginia: Ann Ferguson - (304) 348-2040

Tuition Guarantee Plans:

Florida: Bill Montjoy, Department of Insurance - (904) 488-8514

Indiana: Henry Hector, Deputy Commissioner, Commission for Higher Education - (317) 232-1900
Suzann Langston, Budget Office - (317) 272-5611

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